

AIR FORCE PERSONNEL DEMONSTRATION PROJECT 8th CYCLE CCS RESULTS

12 April 2005



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Purpose

- Informational Briefing
 - To review the results of 2004 Contribution-based Compensation System (CCS) cycle
 - Maps to Core Strategy D, Objective 3
 - D3 - Retention of a High Caliber Workforce
 - D3 Action #B: Document and track compensation and broadband movement/promotions
 - Discuss any opportunities for improving the demo



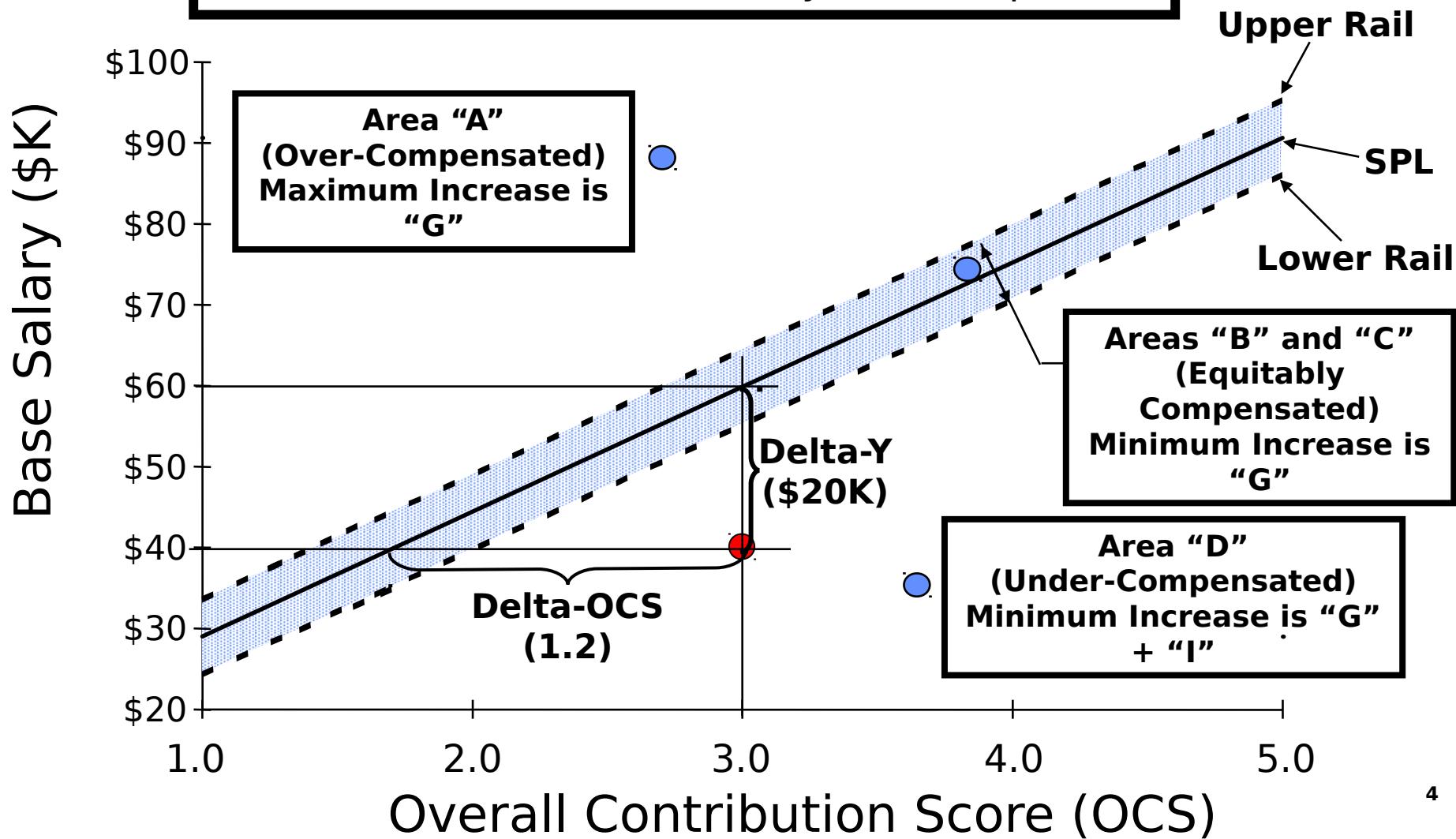
Outline

- **CCS Terminology**
- **CCS Objectives**
- **CCS Results**
 - **Demographics**
 - **Assessment Results**
 - **Compensation Adjustment**
 - **Broadband Movements**
- **Summary and Conclusions**



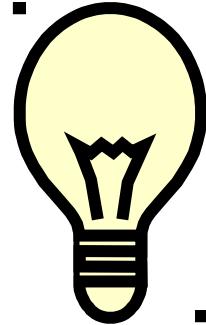
CCS Terminology

"G" = General Cost of Labor Increase (Set by Congress)
"I" = Incentive Increase (Set by AFRL Corporate Board)





CCS Objectives



- **Primary objective:** Provide equitable compensation for all demo employees based upon their contribution to the organization's mission
- **While at the same time:**
 - Providing incentives to all S&Es for increased contribution
 - Encouraging appropriate attrition and accession
 - Maintaining fiscal discipline
 - Providing for fair and equitable treatment of protected groups
 - Providing for increased feedback to the S&Es
 - Providing increased flexibility to the supervisors in managing their workforce



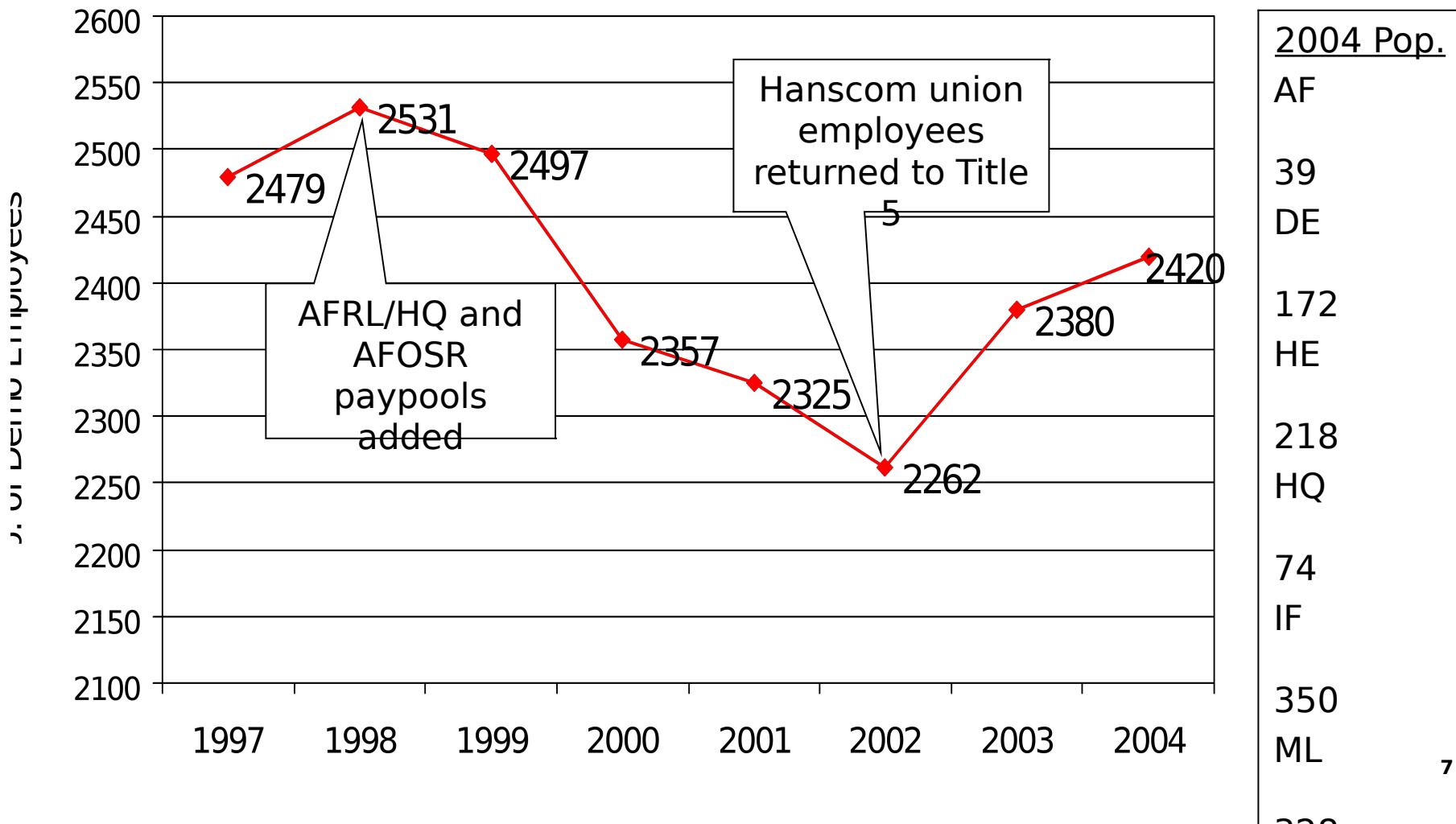
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Demo Population

See Block #1 of Paypool Summary Handout



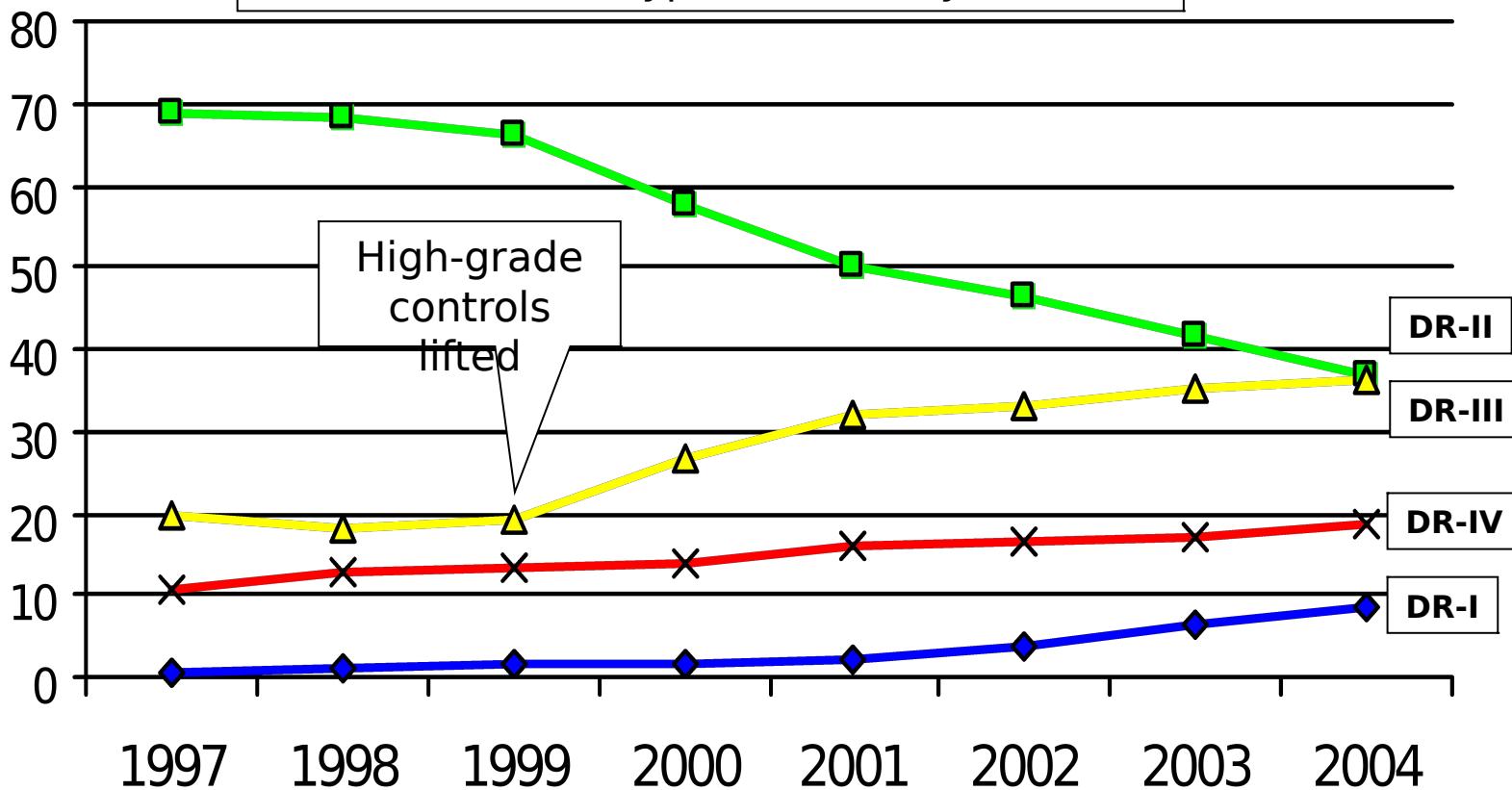


Demo Population - By Broadband (Prior to Broadband Movements)

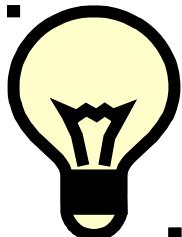


See Block #2 of Paypool Summary Handout

NUMBER OF DEDICATED WORKERS

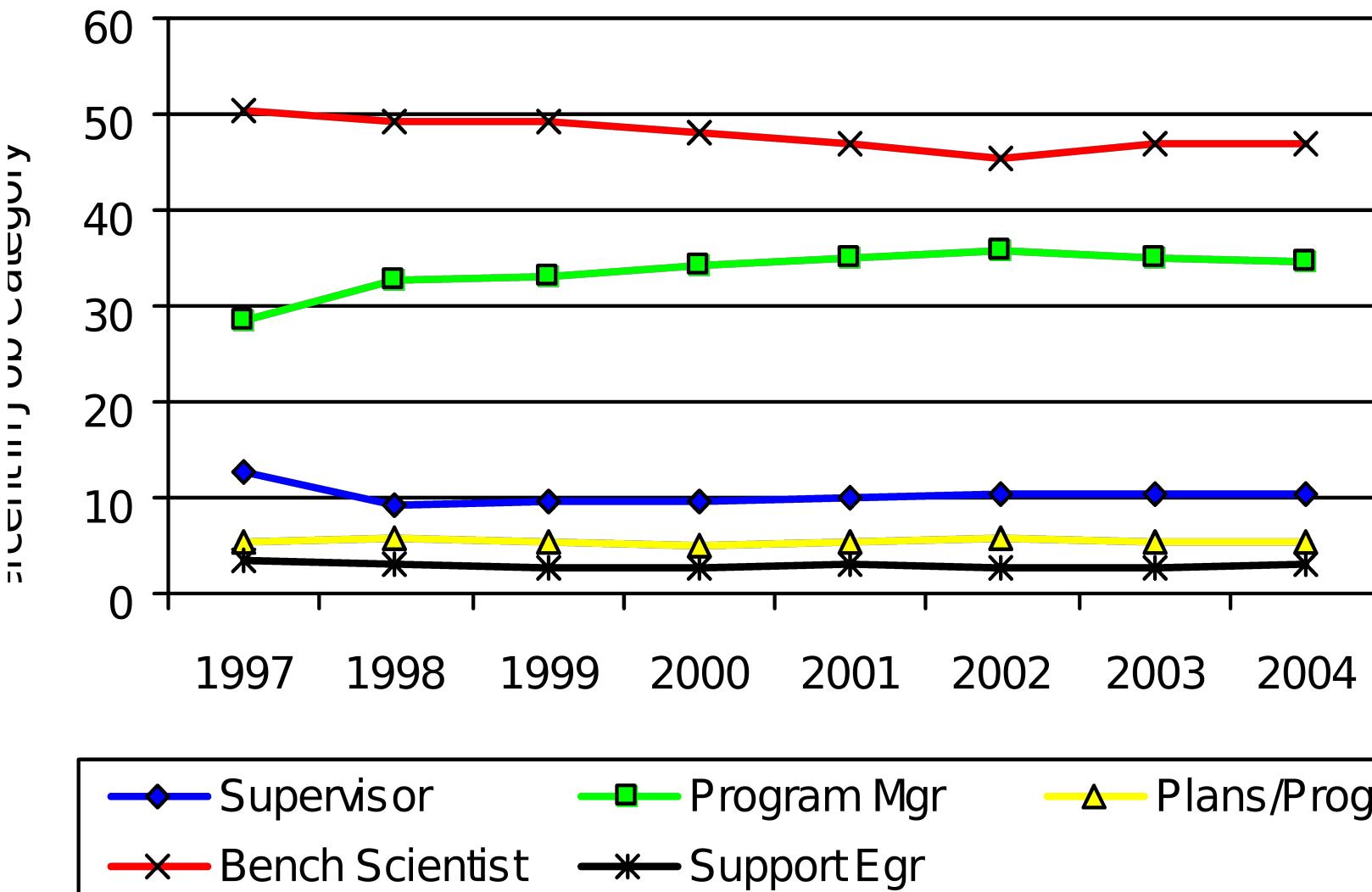


Our ability to move employees seamlessly has been used extensively. It provides incentive for increased contribution and allows supervisors to manage their workforce.





Demo Population - By Job Category





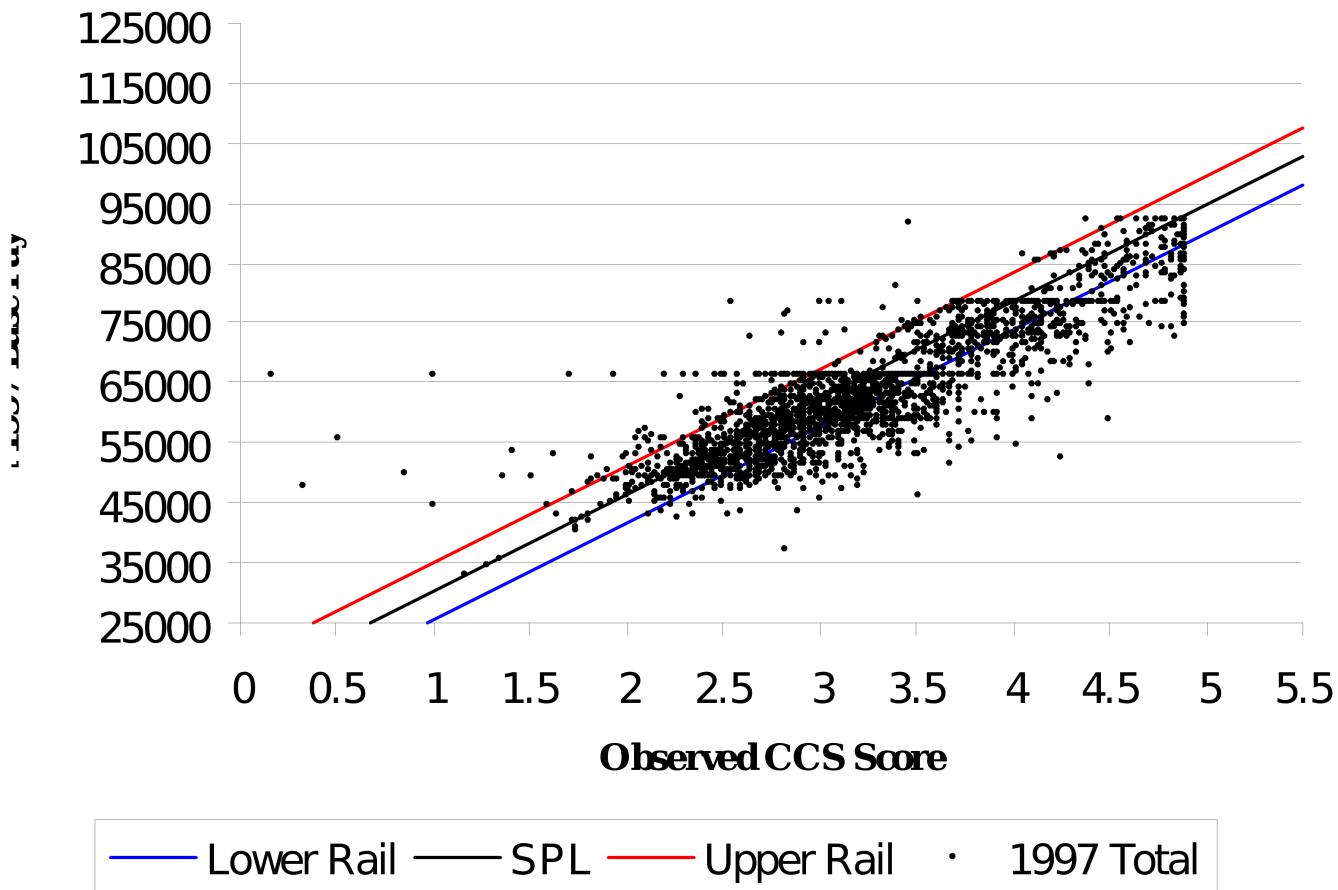
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Assessment Results

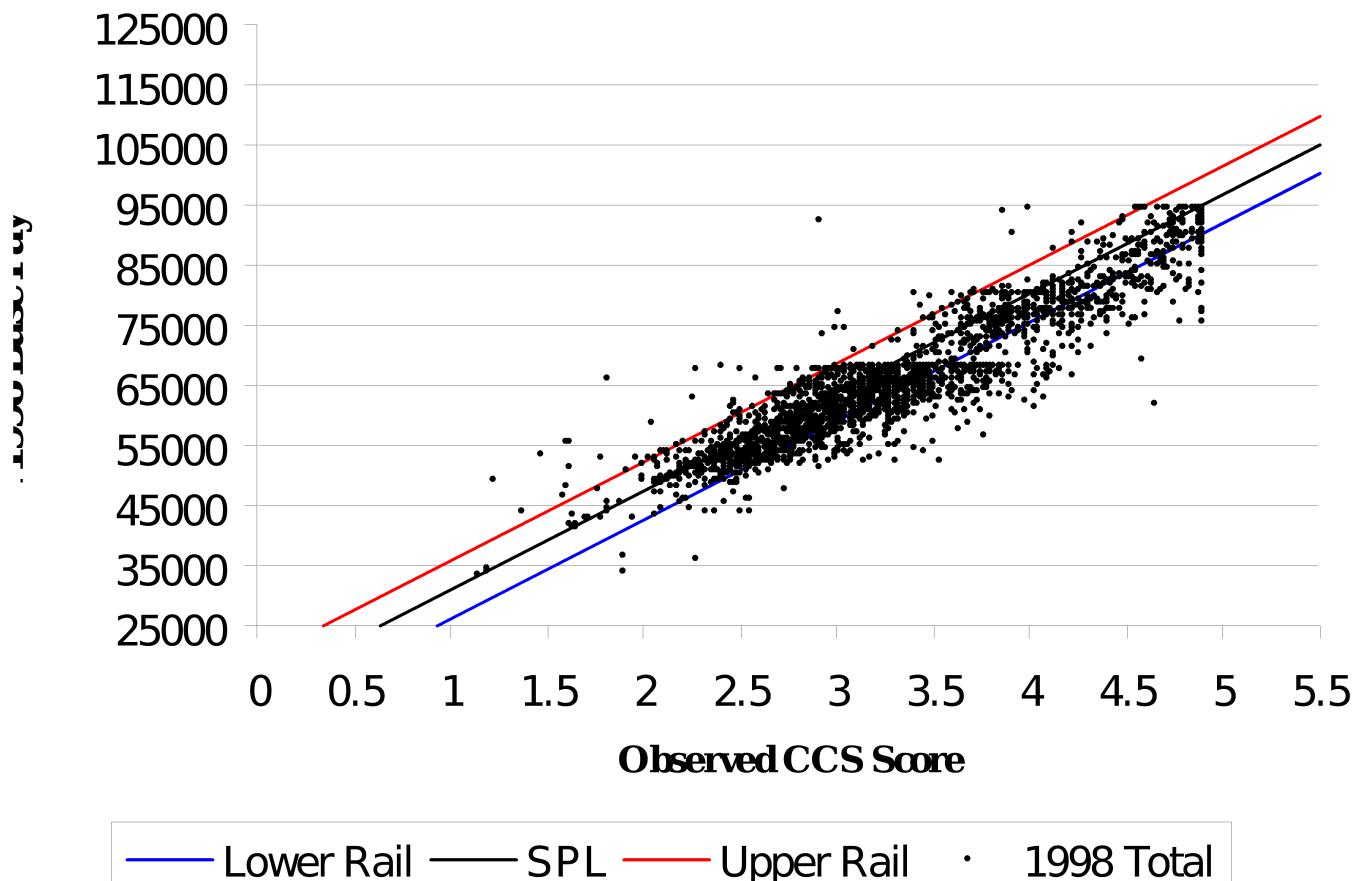
1997 Overall LabDemo Plot





Assessment Results

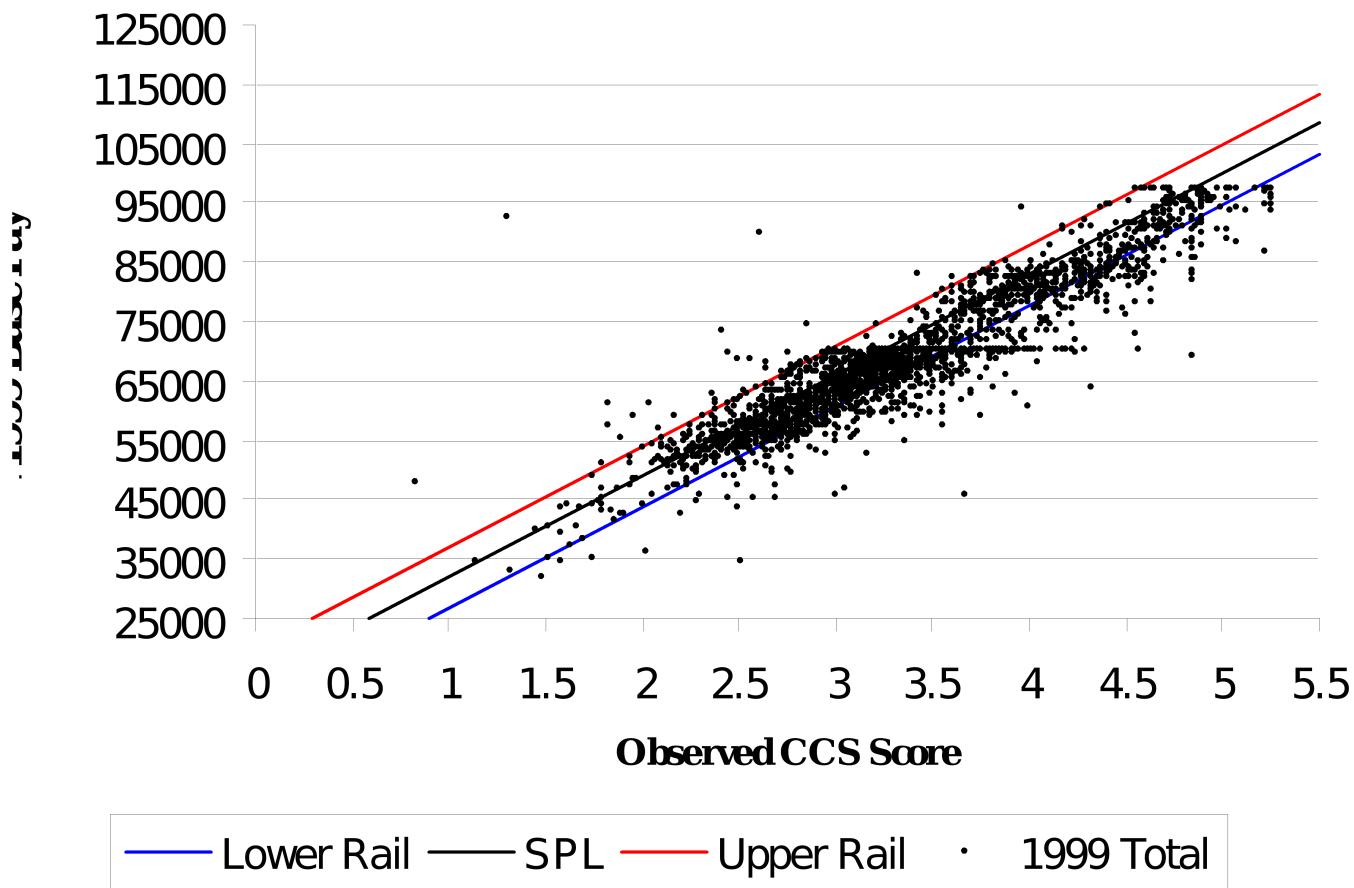
1998 Overall LabDemo Plot





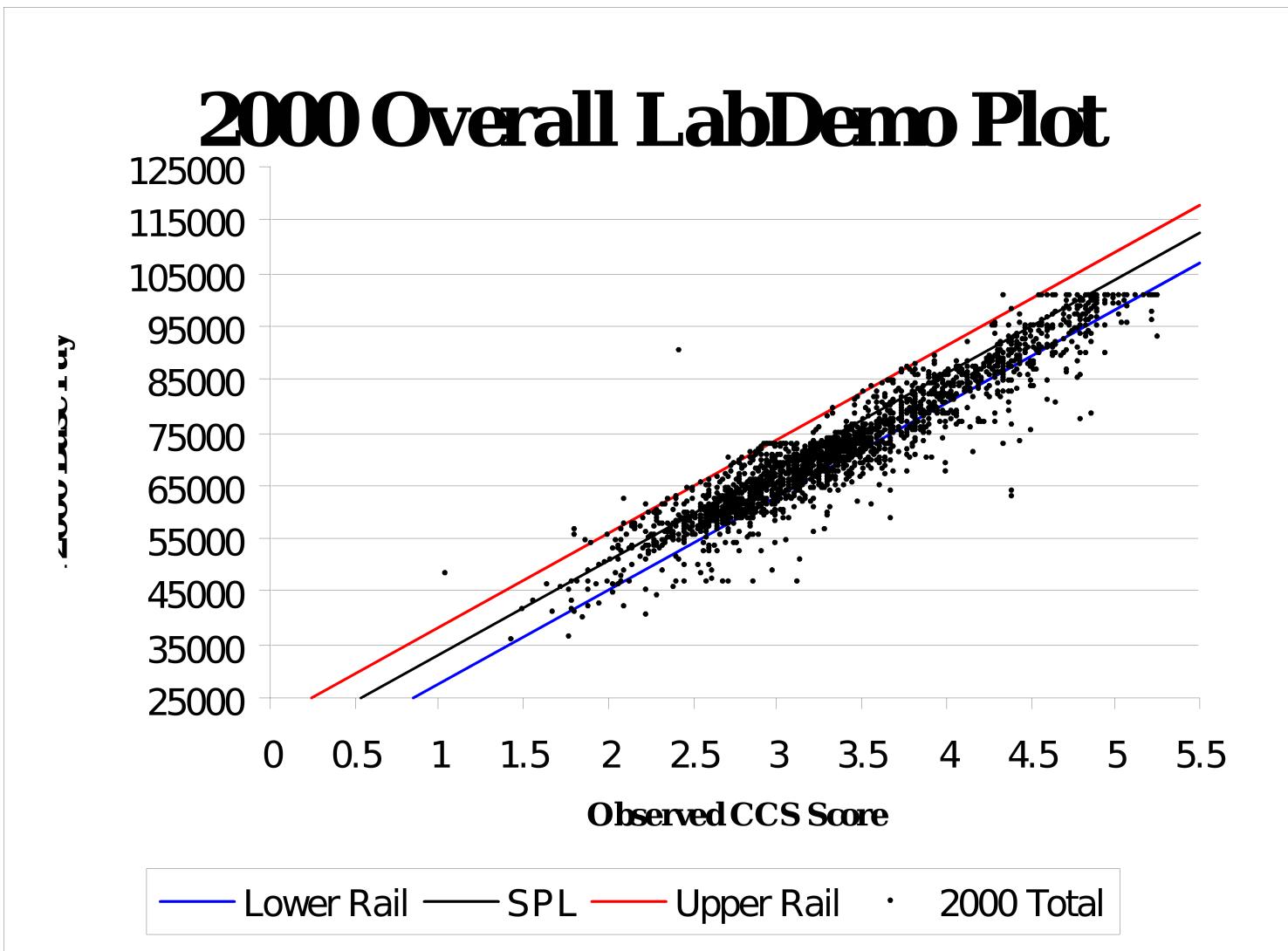
Assessment Results

1999 Overall LabDemo Plot





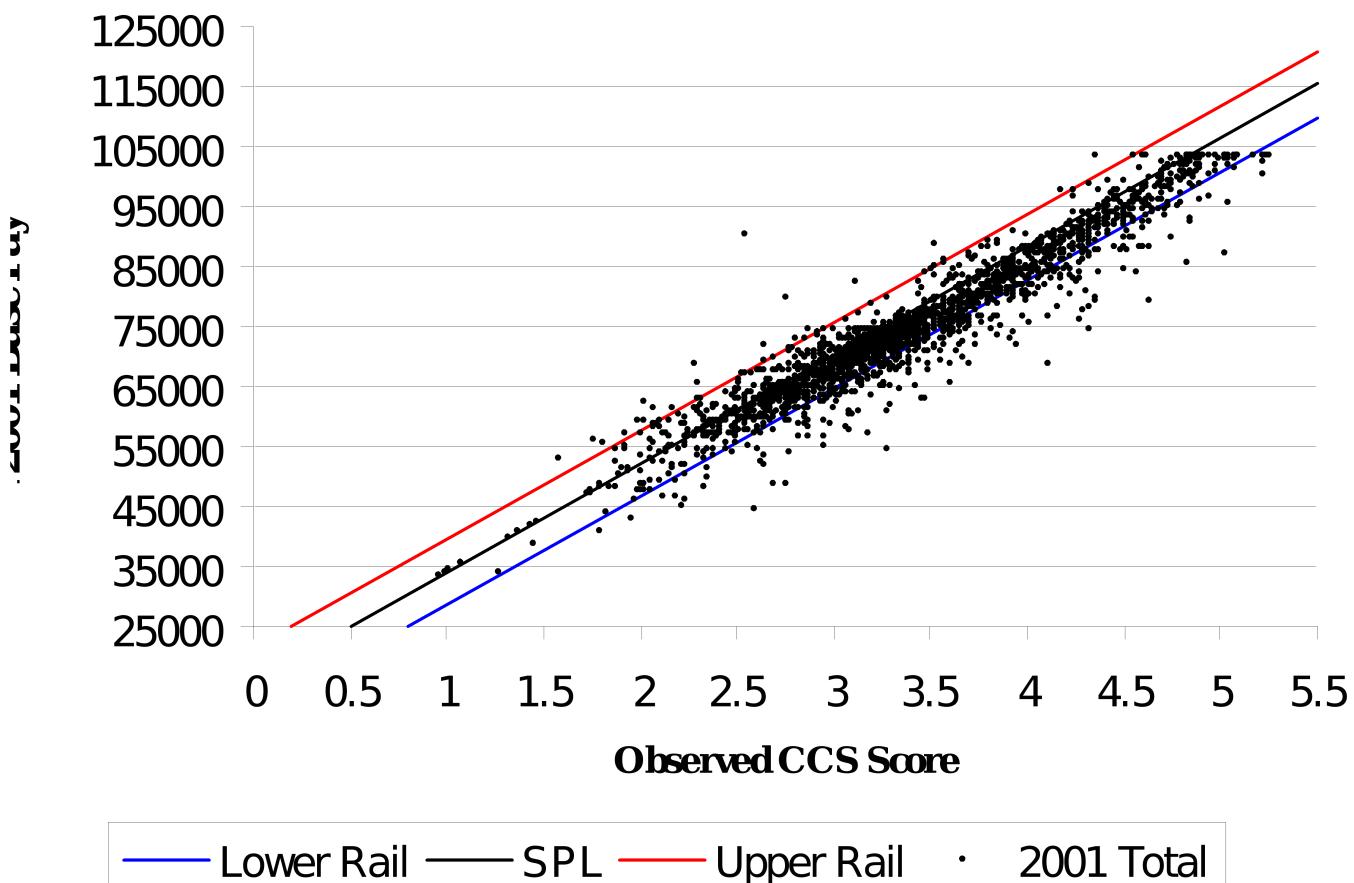
Assessment Results





Assessment Results

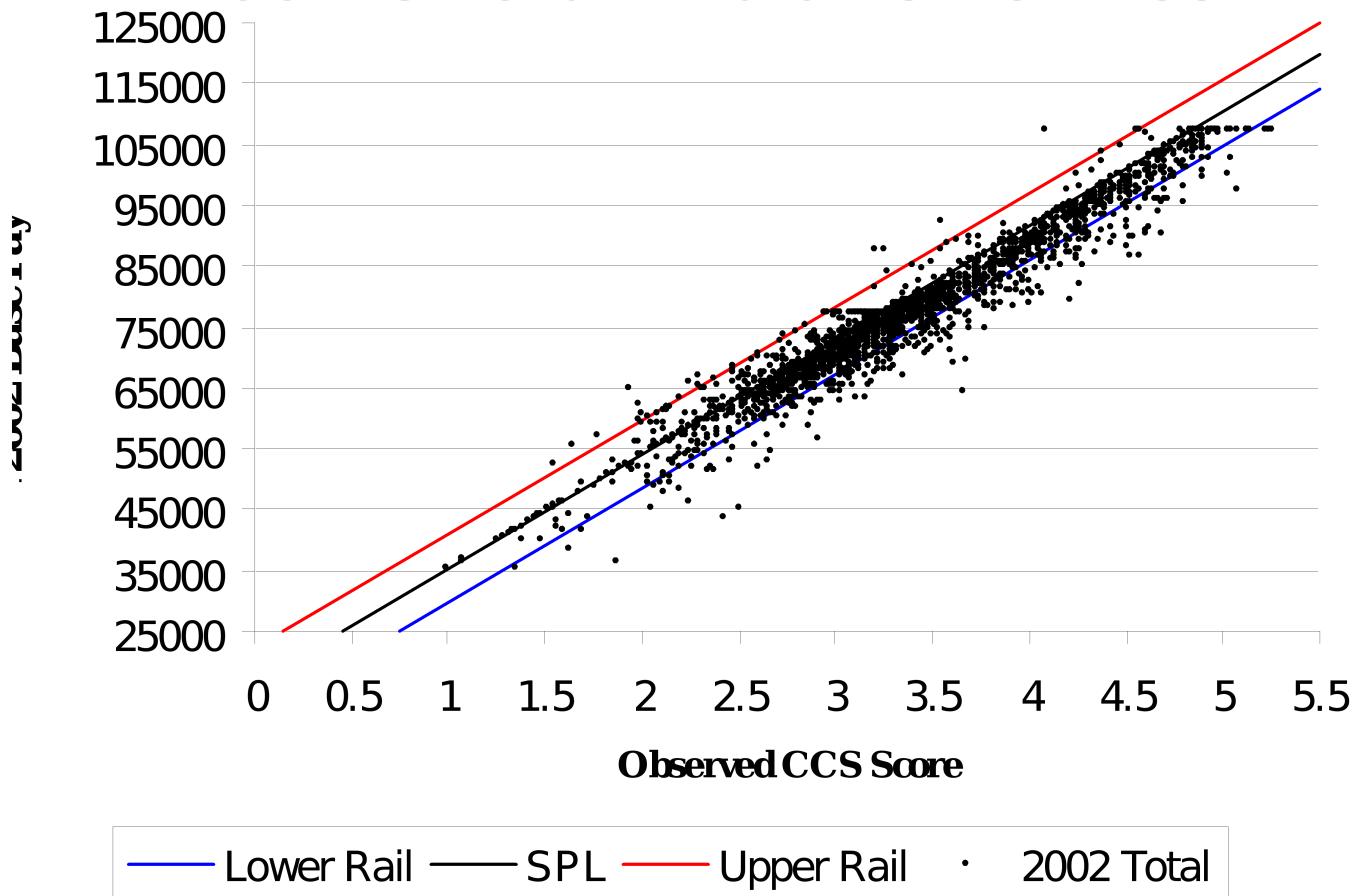
2001 Overall LabDemo Plot





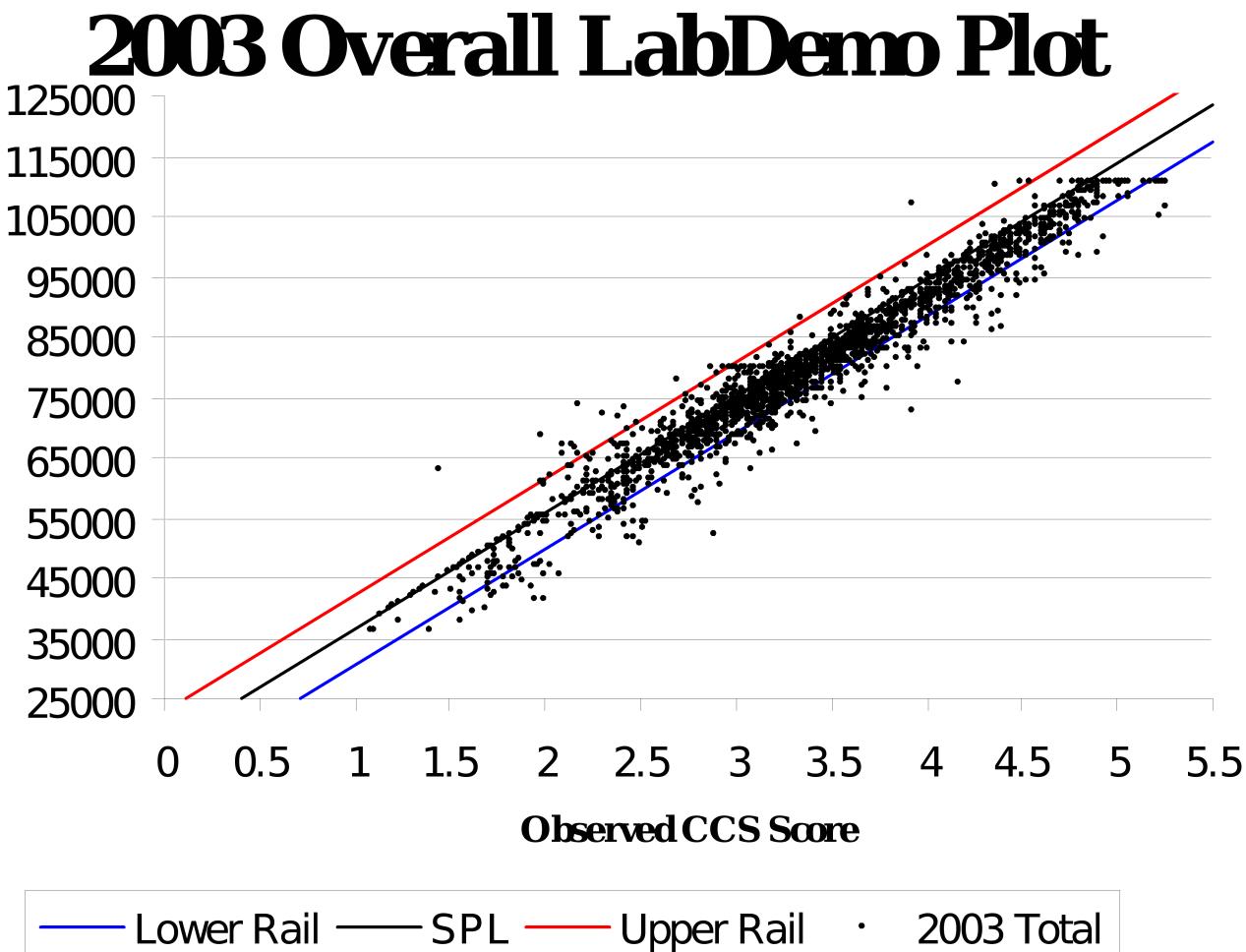
Assessment Results

2002 Overall LabDemo Plot





Assessment Results





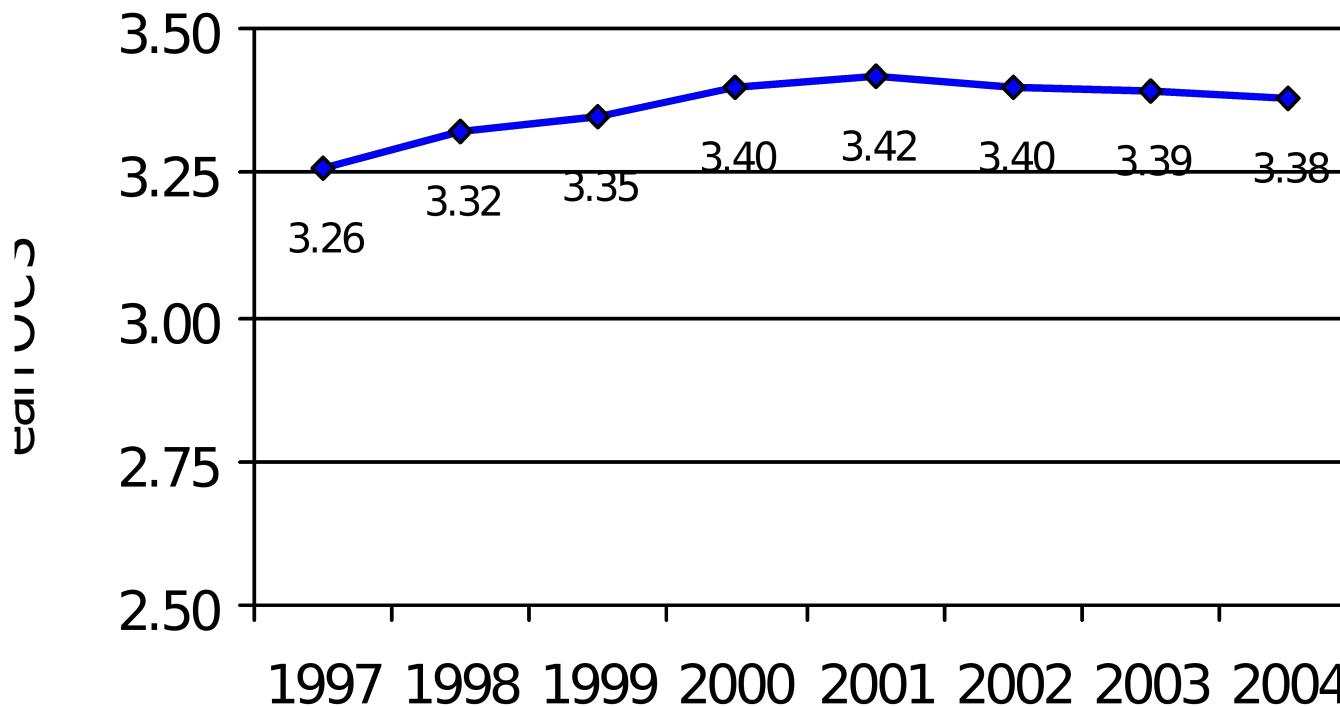
Assessment Results



Assessment Results AFRL Overall Mean OCS



See Block #5 of Paypool Summary Handout



"In a healthy organization, the mean-OCS will remain constant", Dr. George Abrahamson, 1998

Gains, losses, and employee growth all work to balance each other out, and the workforce is continually reinvigorated



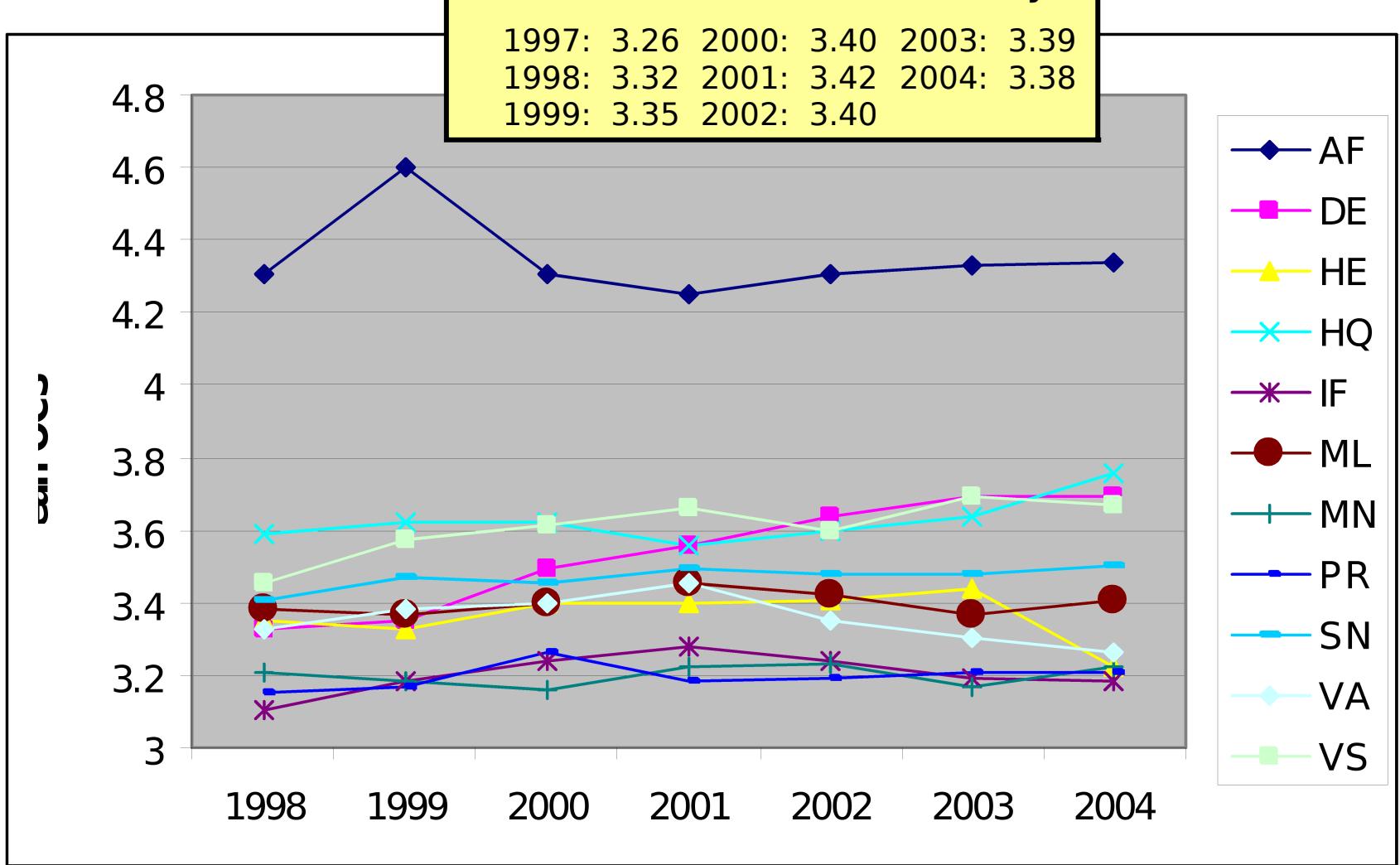
Assessment Results

Mean OCS by Paypool



AFRL Overall Mean OCS History

1997: 3.26 2000: 3.40 2003: 3.39
1998: 3.32 2001: 3.42 2004: 3.38
1999: 3.35 2002: 3.40



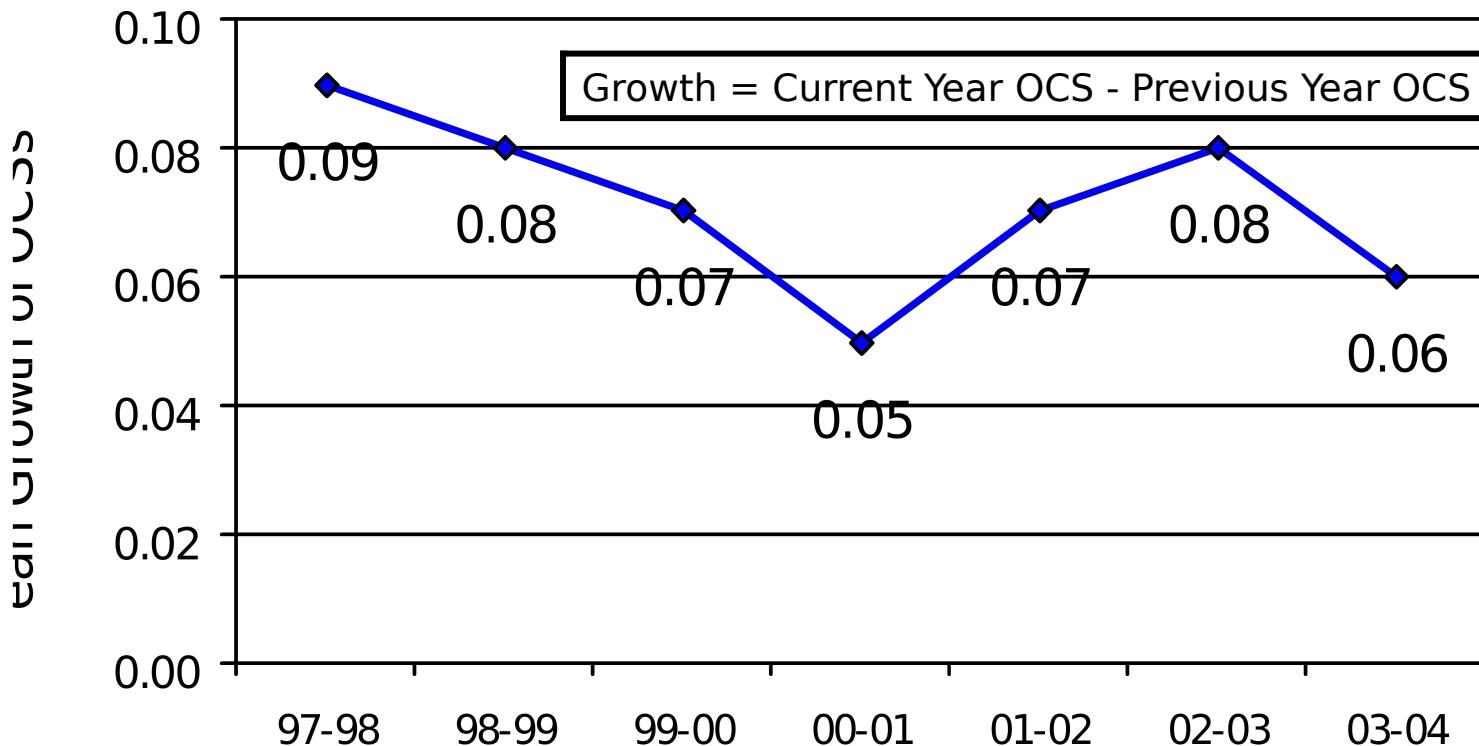


Assessment Results

AFRL Average Employee OCS Growth



See Block #8a of Paypool Summary Handout



A large majority of our S&Es continue to increase their contributions.
75% of the returning S&Es increased their contribution this cycle.



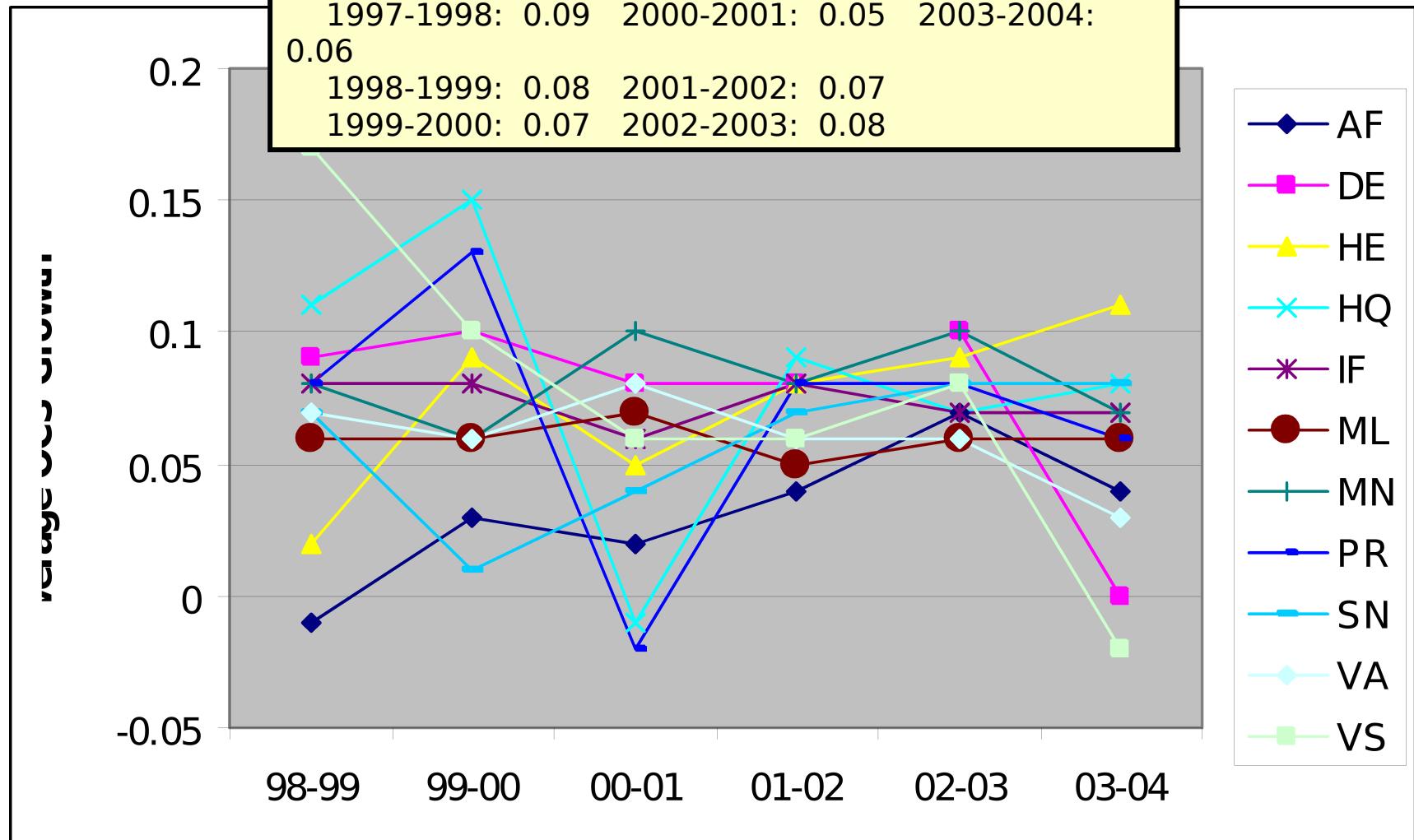
Assessment Results

Average OCS Growth by Paypool



AFRL Overall Mean OCS Growth History

1997-1998:	0.09	2000-2001:	0.05	2003-2004:	0.06
1998-1999:	0.08	2001-2002:	0.07		
1999-2000:	0.07	2002-2003:	0.08		



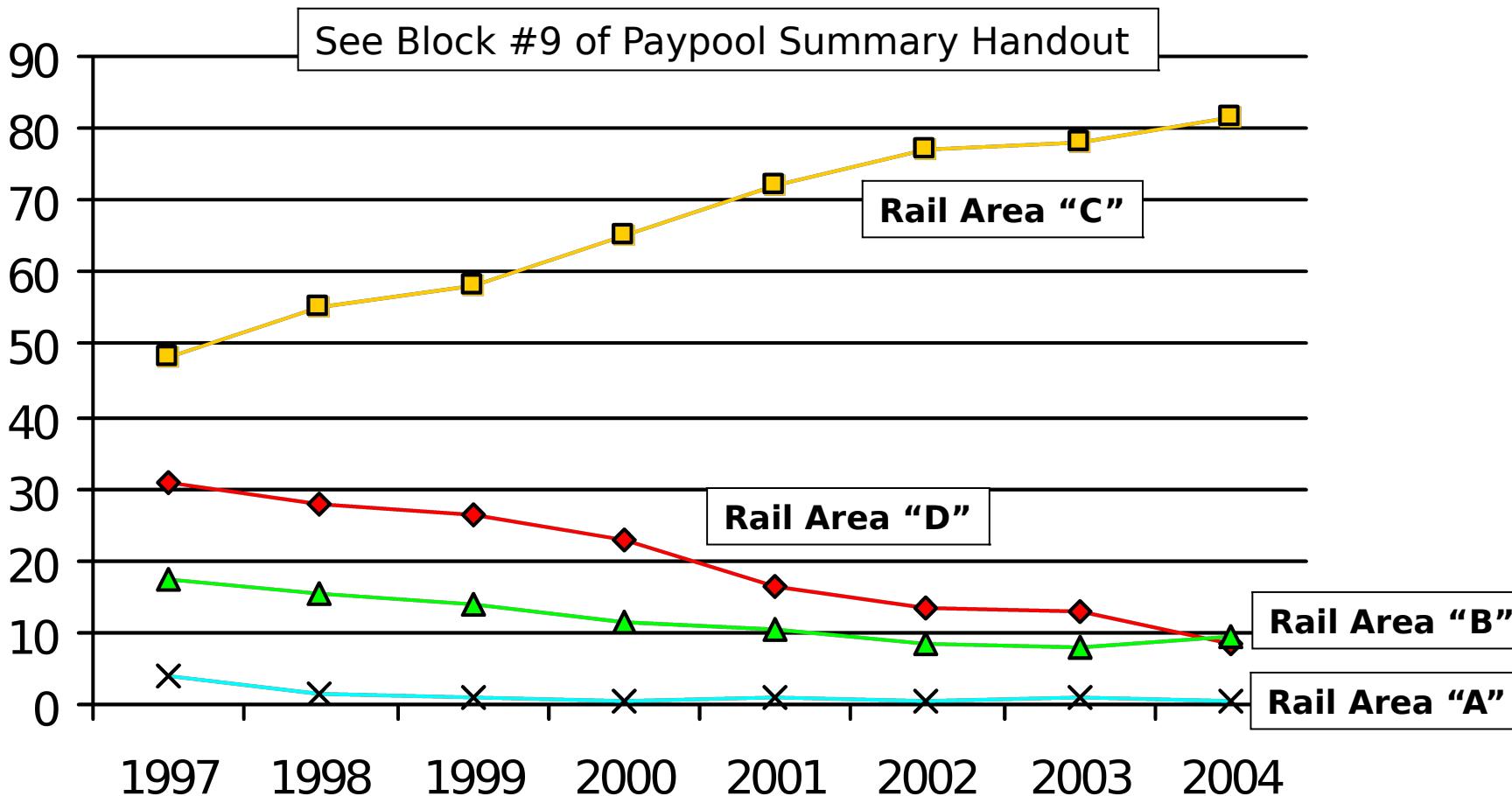
See Block #8a of Paypool Summary Handout



Assessment Results Distribution by Rail Area



RAIL AREA ASSESSMENT



Even before compensation adjustments, 91.2% of the S&E workforce was considered "equitably compensated" (rail areas "B" and "C") given their level of contribution.



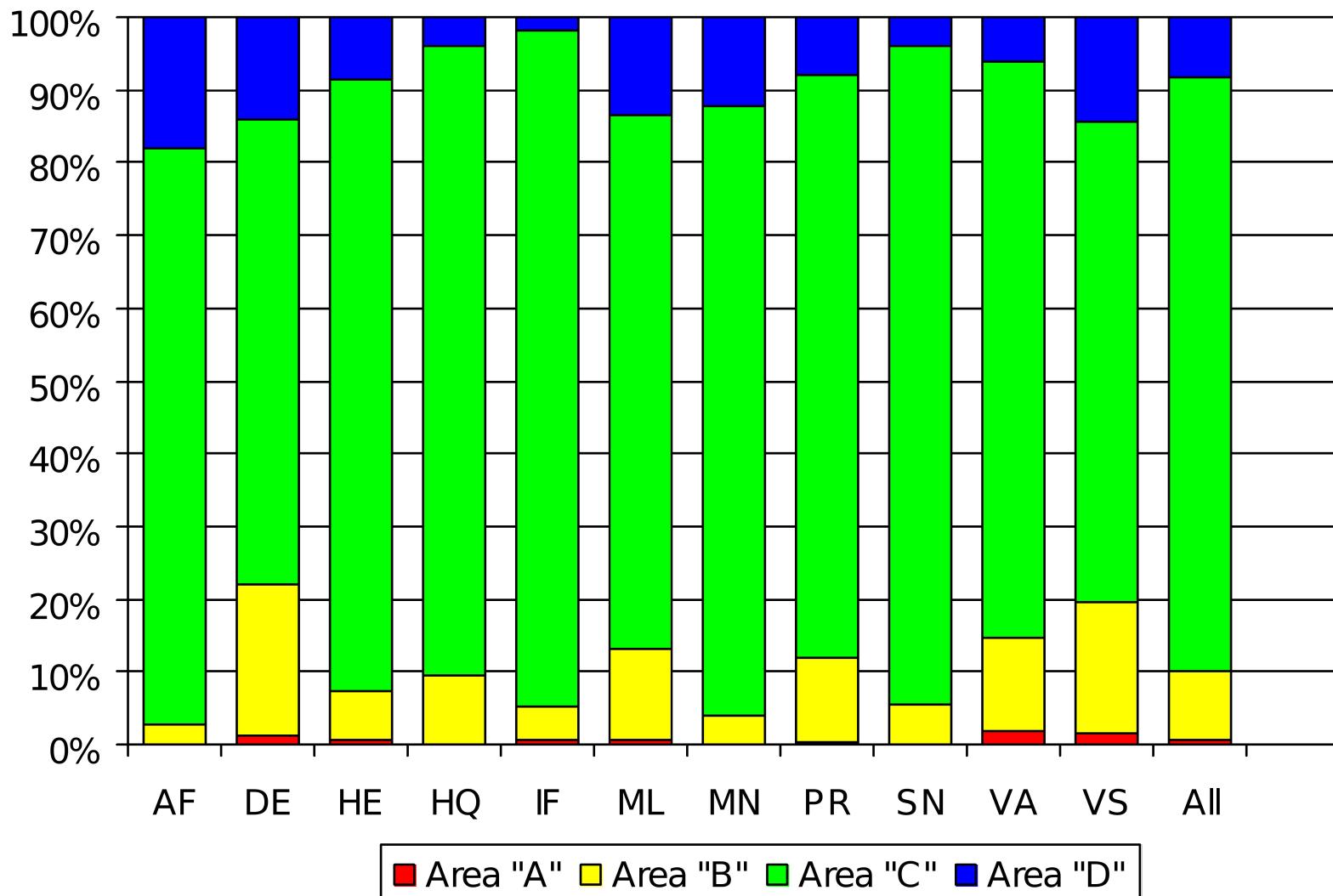
Assessment Results

2004 Cycle Rail Area Distribution by Paypool



See Block #9 of Paypool Summary Handout

RAIL AREA DISTRIBUTION

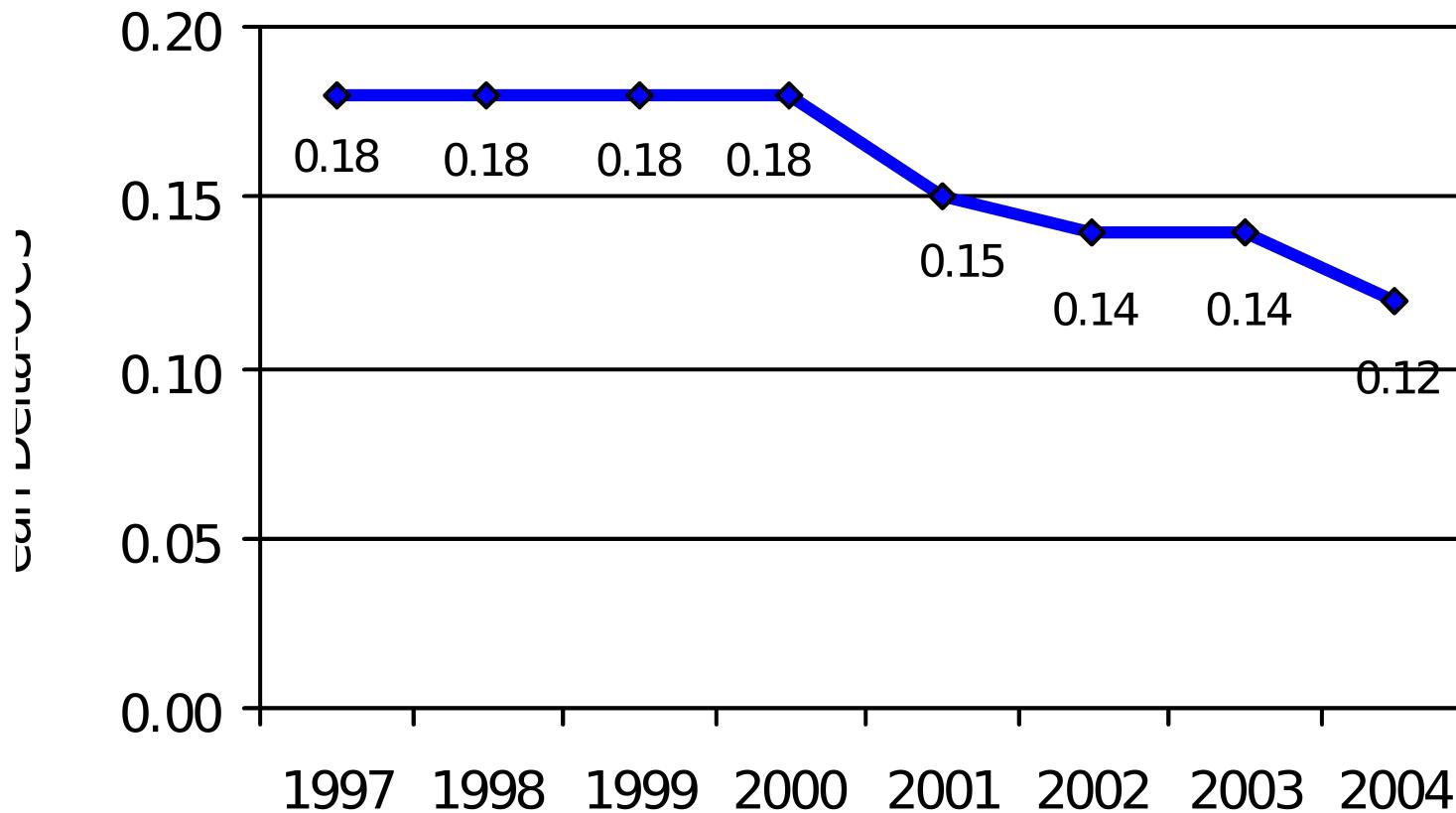




Assessment Results AFRL Overall Mean Delta-OCS



See Block #7 of Paypool Summary Handout



Employees continue to be recognized for their contributions.

Using the Delta-OCS to adjust salaries provides equitable salary adjustments to all employees while maintaining fiscal discipline.



Assessment Results

Mean Delta-OCS by Paypool



AFRL Overall Mean Delta-OCS History

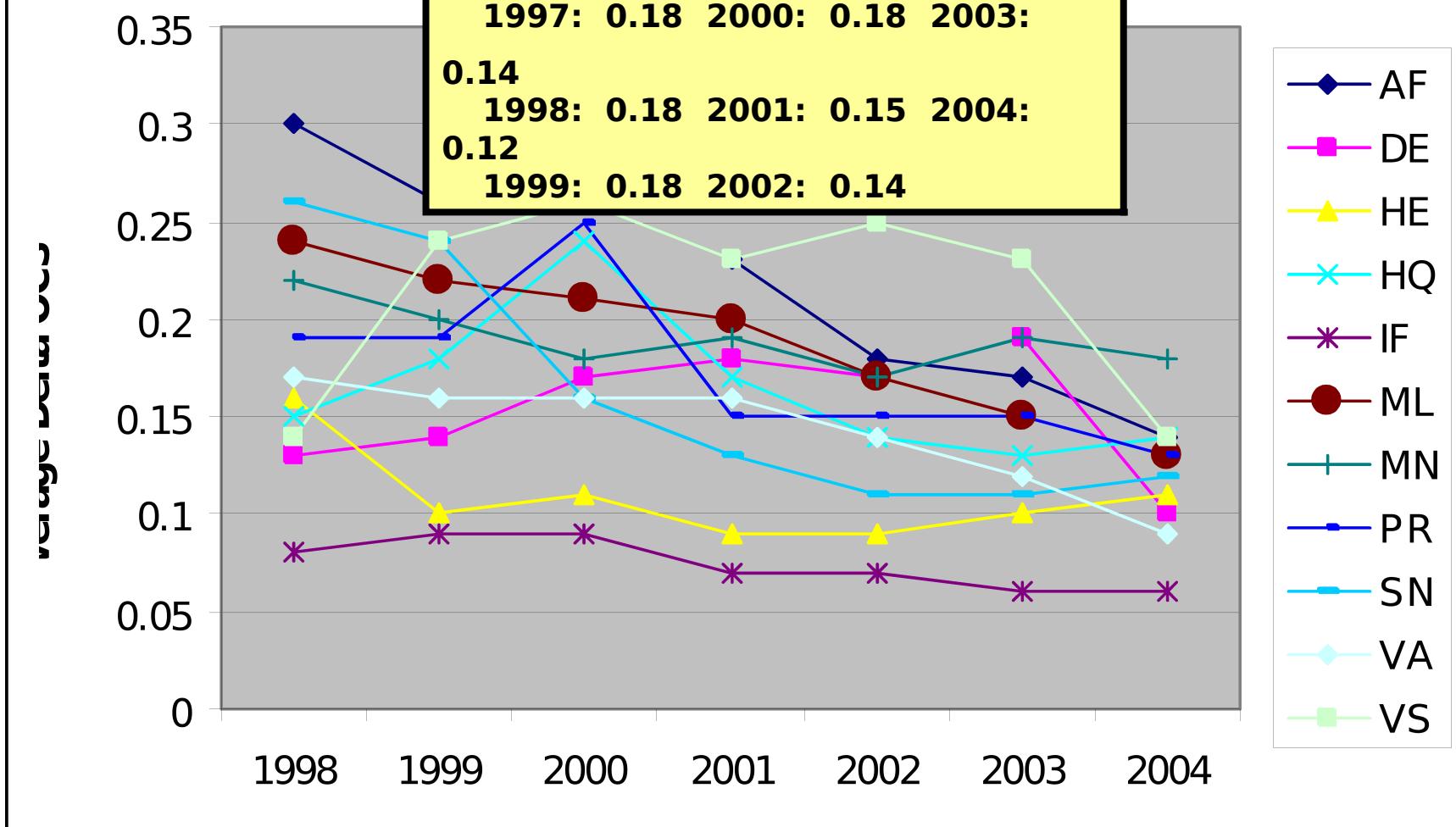
1997: 0.18 2000: 0.18 2003:

0.14

1998: 0.18 2001: 0.15 2004:

0.12

1999: 0.18 2002: 0.14



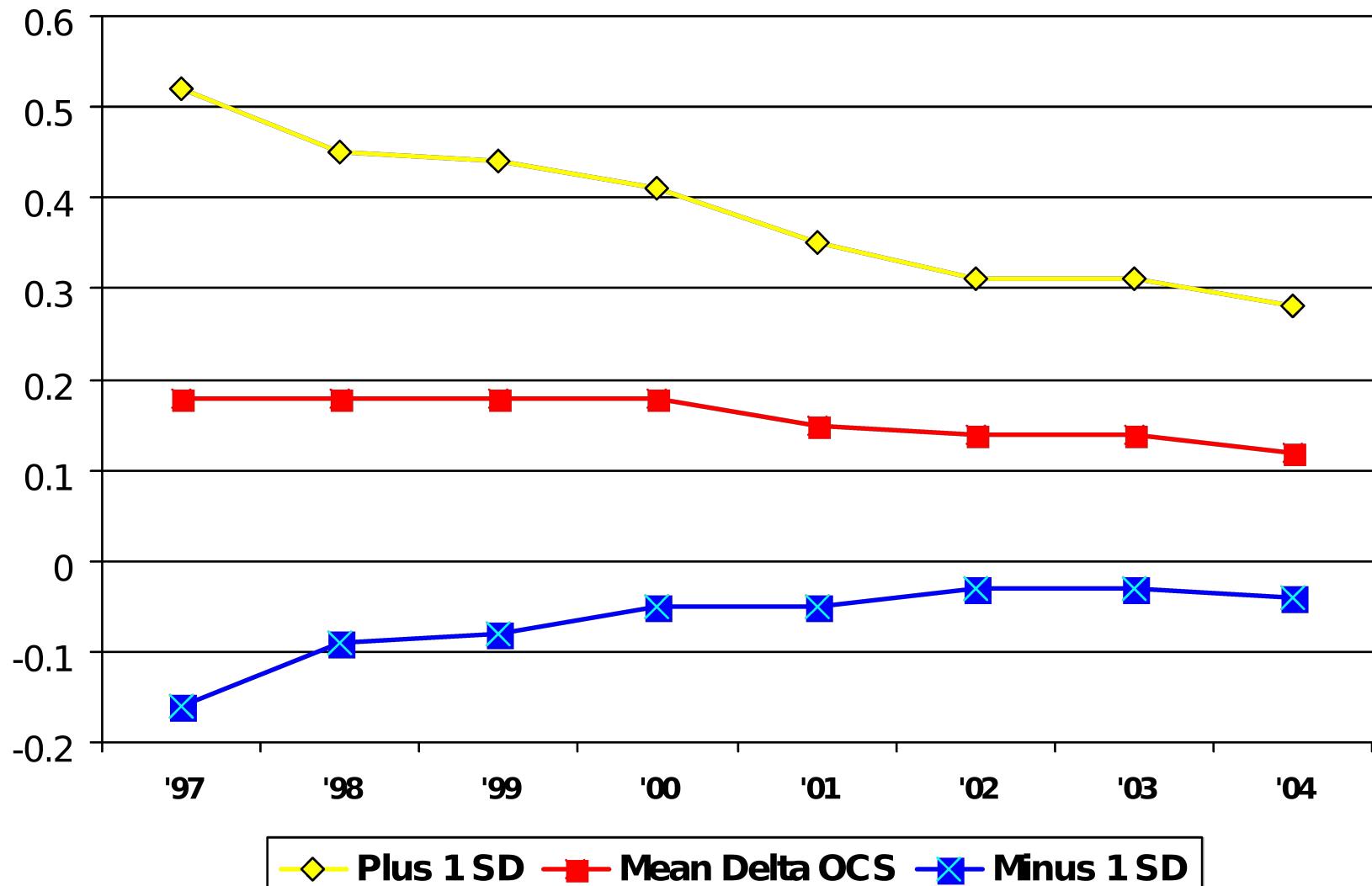


Assessment Results

Trends in Delta-OCS & Standard Deviation



Delta-OCS



—◇— Plus 1 SD —■— Mean Delta OCS —×— Minus 1 SD



Assessment Results 2003 AAZ Assessments in 2004



**AAZ employees typically either improve or move on.
All employee protections available in the GS system
are afforded to those placed on Contribution
Improvement Plans (CIPs).**



Assessment Results

2004 AAZ Details



- 14 Employees in AAZ
 - 4 in VA
 - 2 each in DE, IF, ML, VS
 - 1 each in HE and PR
- 7 are new to the AAZ
- 5 in AAZ for 2nd time
- 1 in AAZ for the 3rd time
- 1 in AAZ for the 4th time



The “meeting of managers” process provides the mutual group review and the support needed to deal with low contributors. It also provides the feedback that employees need to improve.



Options for dealing with low contributors

- Place in AAZ with contribution improvement plan
 - Most appropriate for significantly over compensated
 - Requires frequent employee feedback
- Place in AAZ with memo for record
 - If withholding “G” will bring employee within equitably compensated zone
 - Quarterly feedback needed to ensure improvement
- Place just below upper rail
 - If extenuating circumstances exist

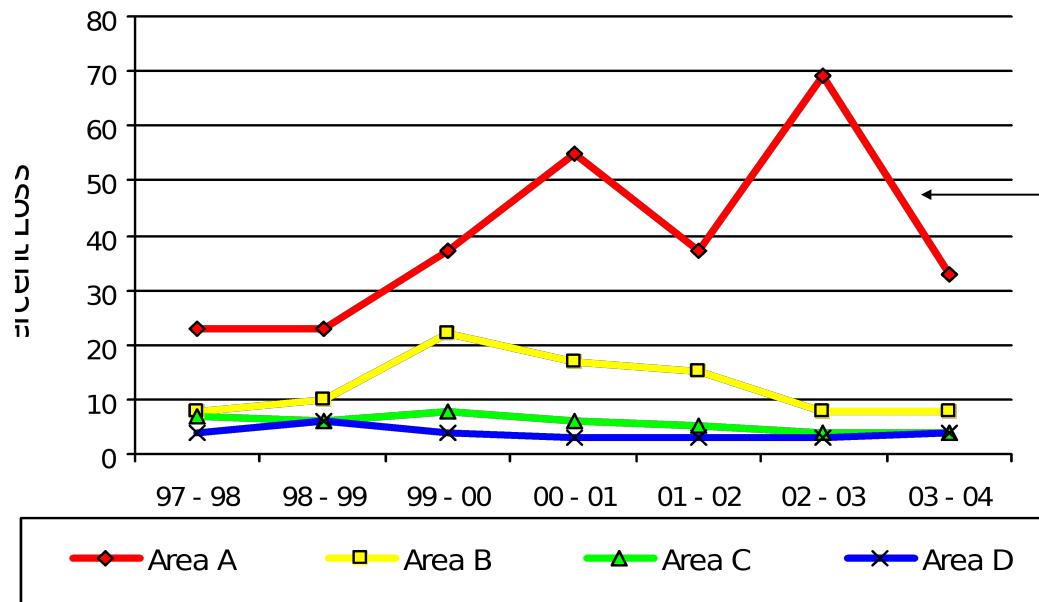
Recommendation: Give fair and honest scores



Loss Rates by Rail Zone



Zone	Cycle							Average
	97 to 98	98 to 99	99 to 00	00 to 01	01 to 02	02 to 03	03 to 04	
A	23%	23%	37%	55%	37%	69%	33%	40%
B	8%	10%	22%	17%	15%	8%	8%	13%
C	7%	6%	8%	6%	5%	4%	4%	6%
D	4%	6%	4%	3%	3%	3%	4%	4%
Total	7%	7%	9%	6%	6%	5%	5%	6%



AAZ loss rate fluctuation due to small numbers



Attrition rate among the employees placed in the AAZ has always been much higher than in any other rail area.



Outline

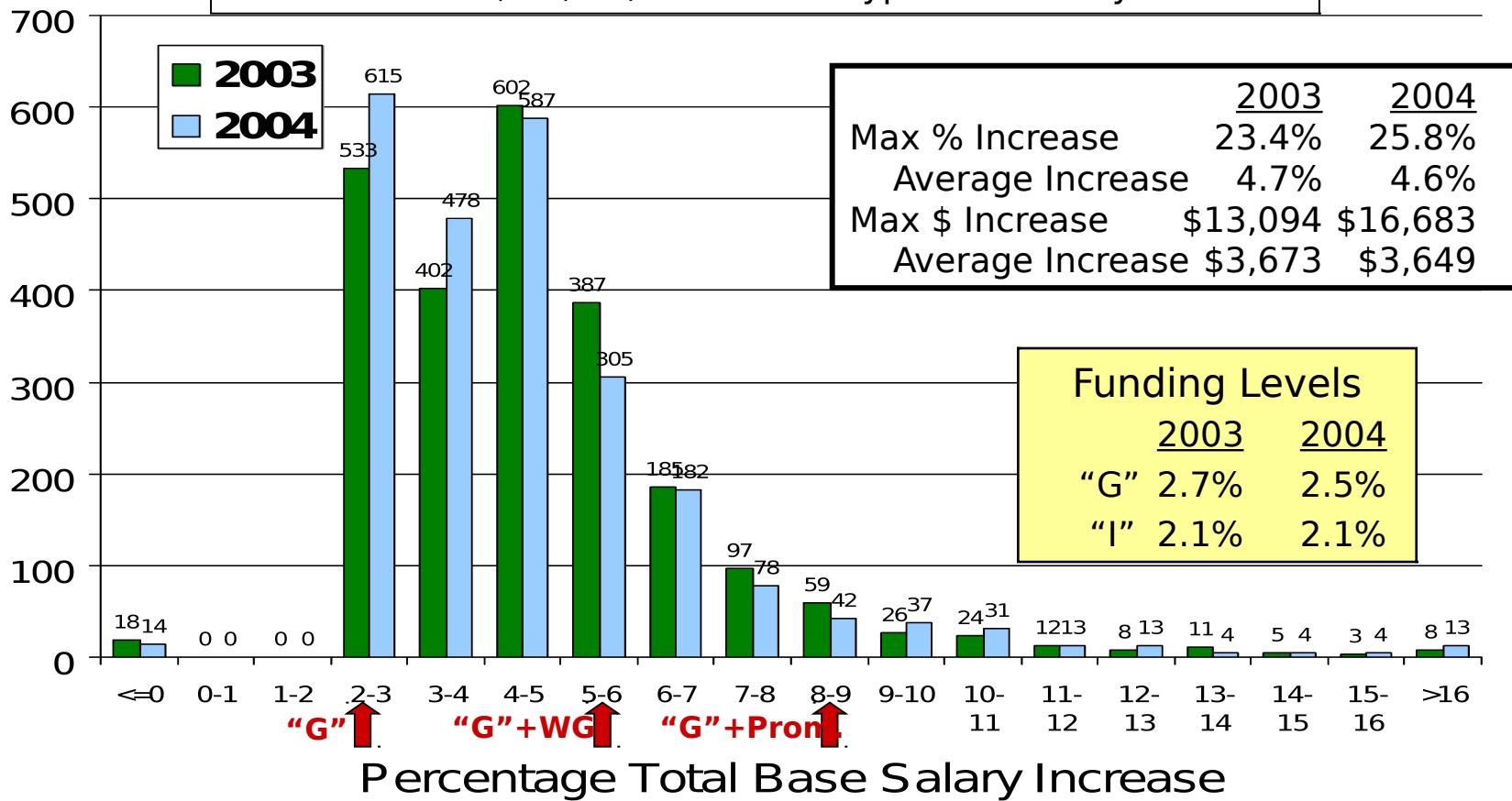
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Compensation Adjustment Results 2004 Cycle Total Base Salary Adjustments



See Blocks #12, 13, 14, and 15 of Paypool Summary Handout

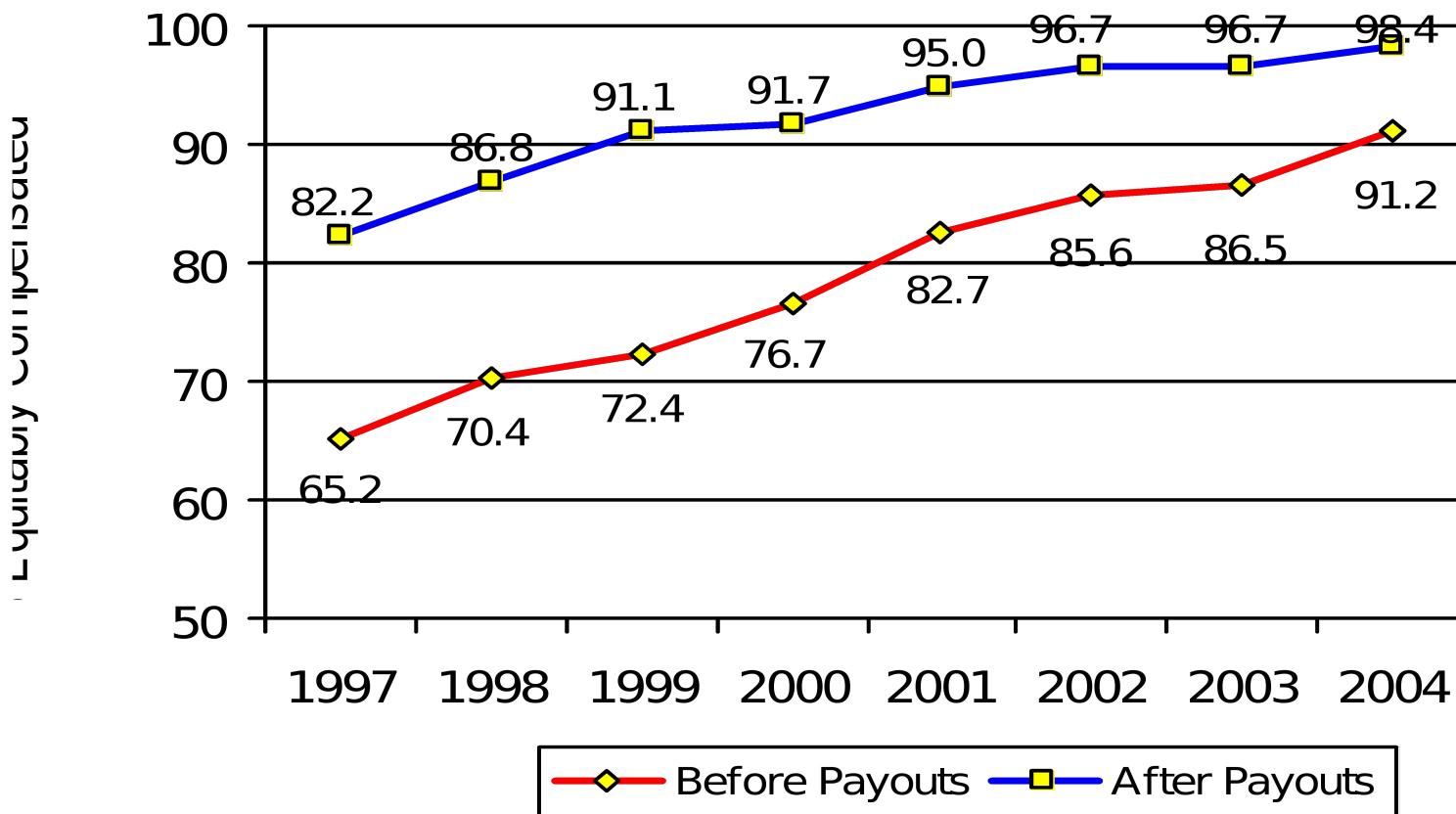


Management has a lot of pay adjustment flexibility, and they use it. Significant raises are given to the most under-compensated every year. Raises are withheld from the over-compensated.





Compensation Adjustment Results Percent Equitably Compensated



We have made tremendous progress towards providing AFRL S&Es equitable compensation. We may never obtain 100% because employees are continually increasing their contributions - but that's a good thing! ³⁴





Compensation Adjustment Results 2004 Payout Strategies



- **8 (AF, DE, HE, IF, MN, PR, VA, VS) pay pools used the on-line Alpha Delta Y algorithm**
 - **3 (DE, MN, PR) used a discretionary set aside**
 - **1 (AF) used a discretionary set aside for BB4 Bonus**
 - **1 (IF) achieved an alpha = 0.99***
 - **No set aside**
 - **Left \$110,110 of \$586,763 unspent**
- **3 (HQ, ML, SN) used the off-line two step algorithm; 1 (SN) used discretionary set aside**
 - **Gives enough “I” to bring everyone up to the lower rail**
 - **Gives remaining “I” out via Alpha Delta Y**

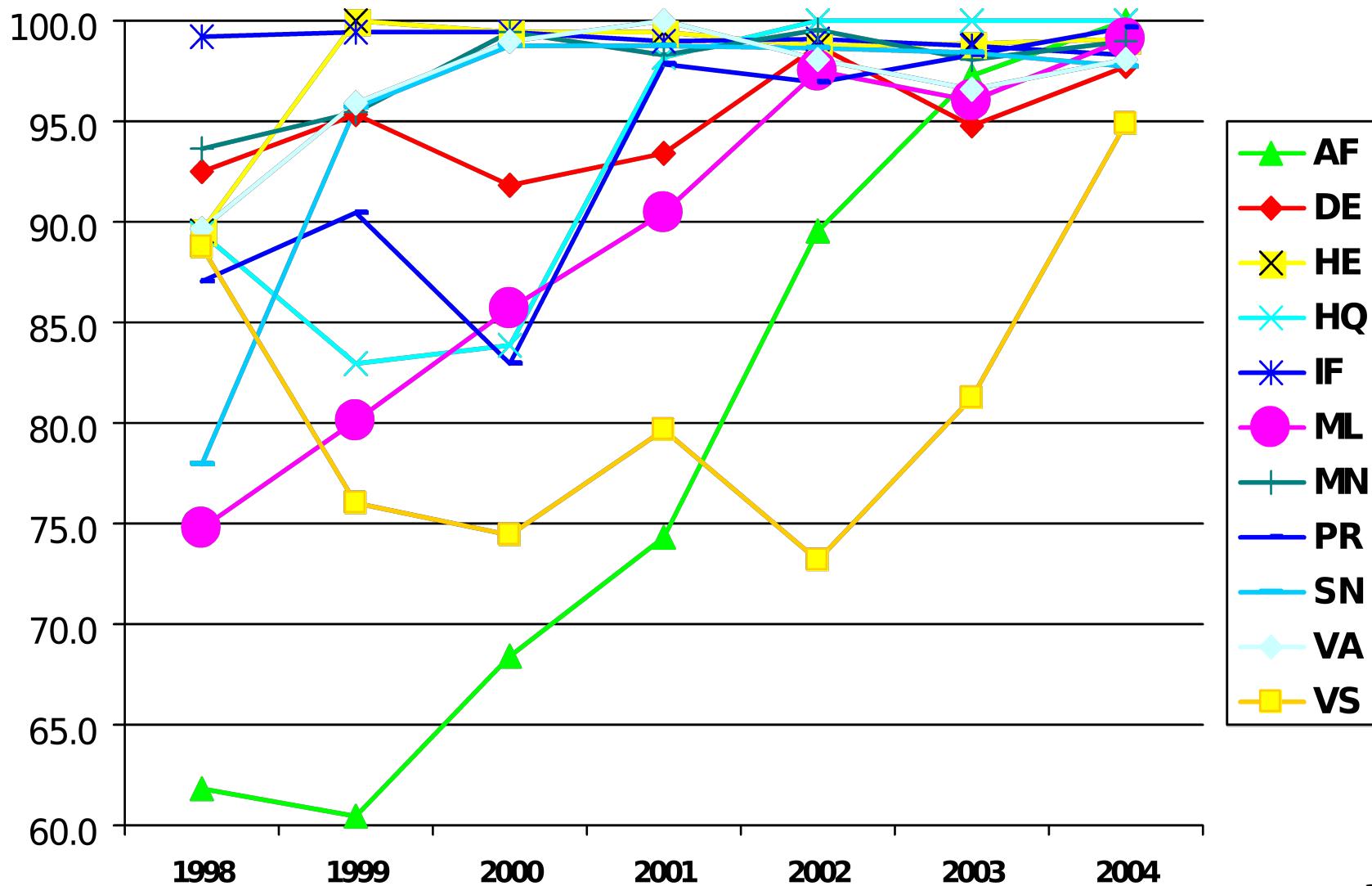
* Would have been 1.0, but IF had to withhold “I” from 3 employees to prevent Band movement due to lack of acq corps qualification



Compensation Adjustment Results

Percent Equitably Compensated by Paypool

2004 Cycle - After Payouts

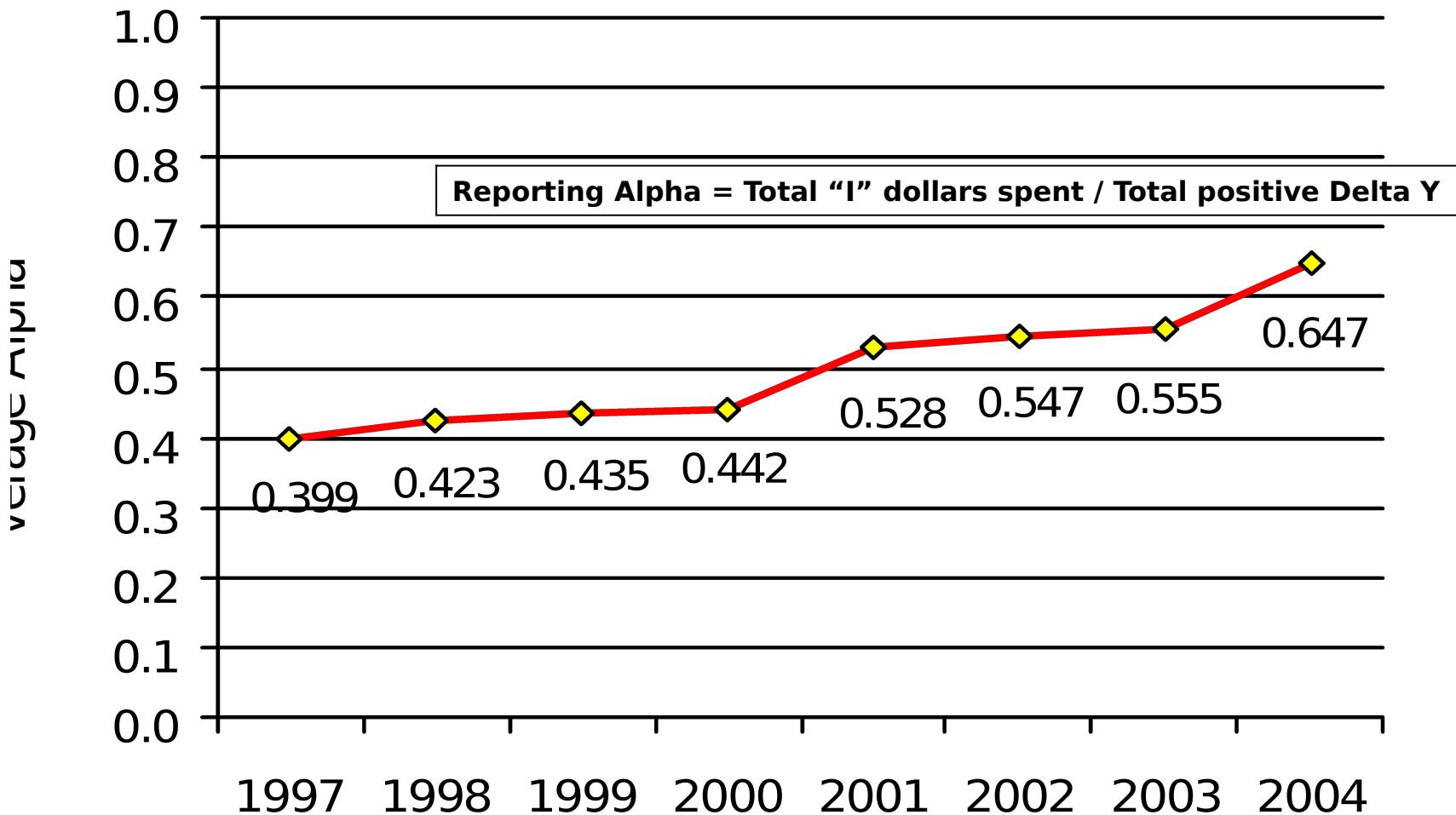




Compensation Adjustment Results AFRL Average Reporting Alpha



See Block #11 of Paypool Summary Handout



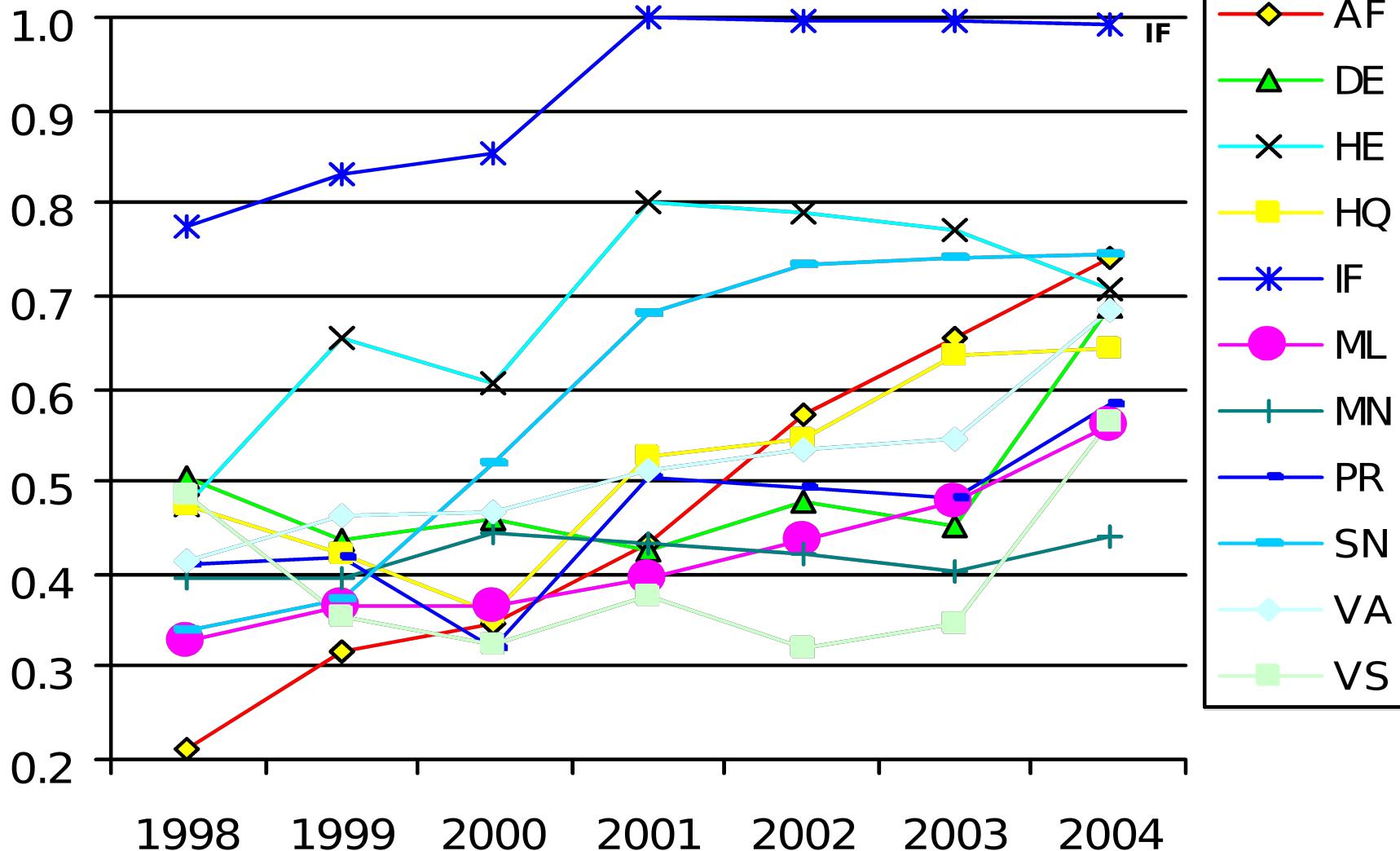


Compensation Adjustment Results

Average Reporting Alpha By Paypool



See Block #11 of Paypool Summary Handout





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Broadband Movement Results 1997-2004 Upward Band Movements



	1997	1998	1999	2000	2001	2002	2003	2004
Band I - II	3	1	8	6	18	15	14	18
Band II - III	35	76	239	198	139	131	119	108
Band III - IV	42	37	45	55	44	54	57	37
Totals	80	114	292	259	201	200	190	163

Lowest number since high-grade controls were lifted

2004 Band Movement Details				
Movements	Band I	Band II	Band III	Totals
# Moved / # Eligible	10 / 78	30 / 485	22 / 222	62 / 785
# Moved / # Recommended	4 / 4	16 / 31	5 / 16	25 / 51
# Moved / # Mandatory	4 / 4	62 / 72	10 / 10	76 / 86
Totals	18 / 86	108 / 588	37 / 248	163 / 922
			17.7	40%

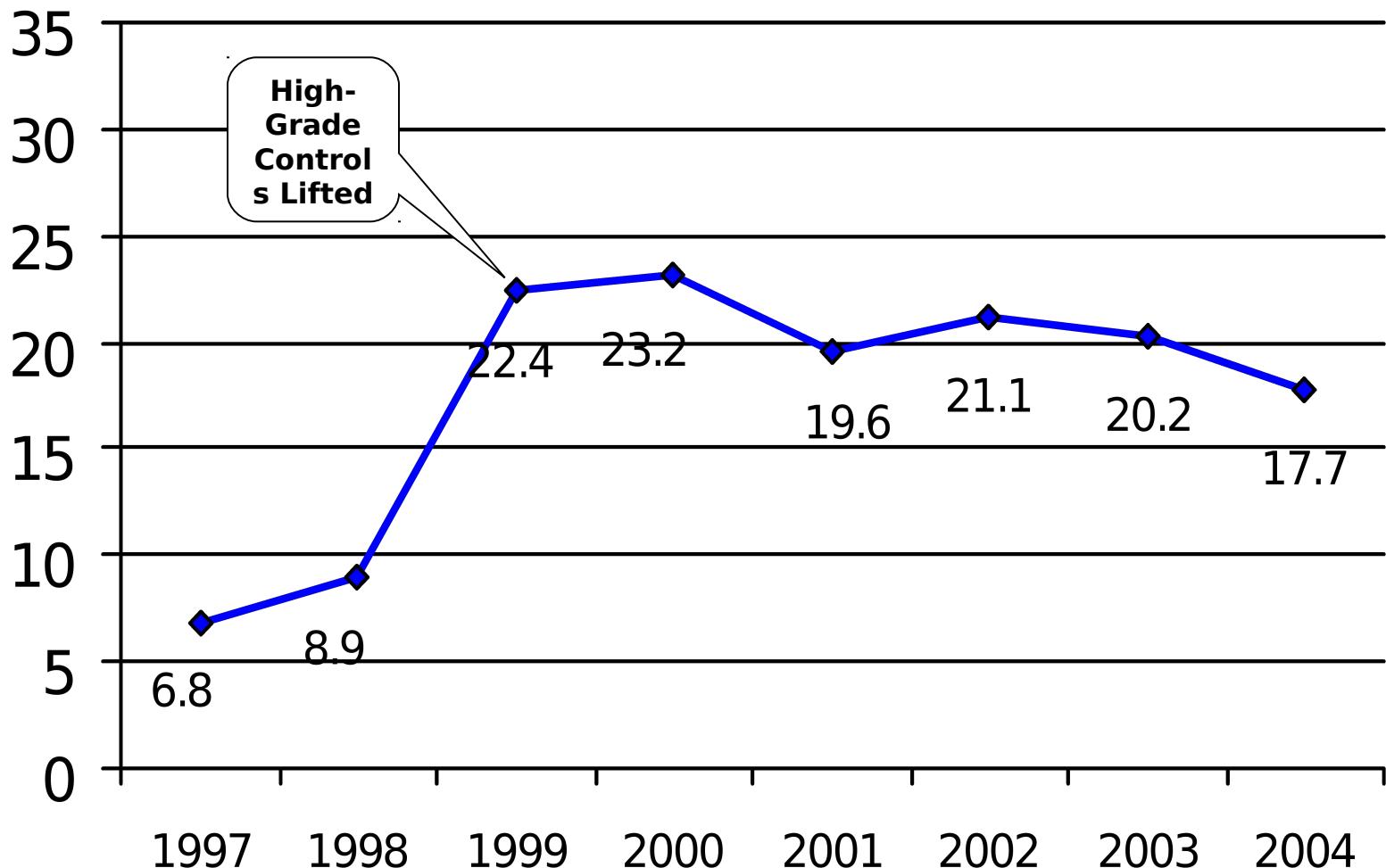


Broadband Movement Results

Percentage Approved for Upward Movement

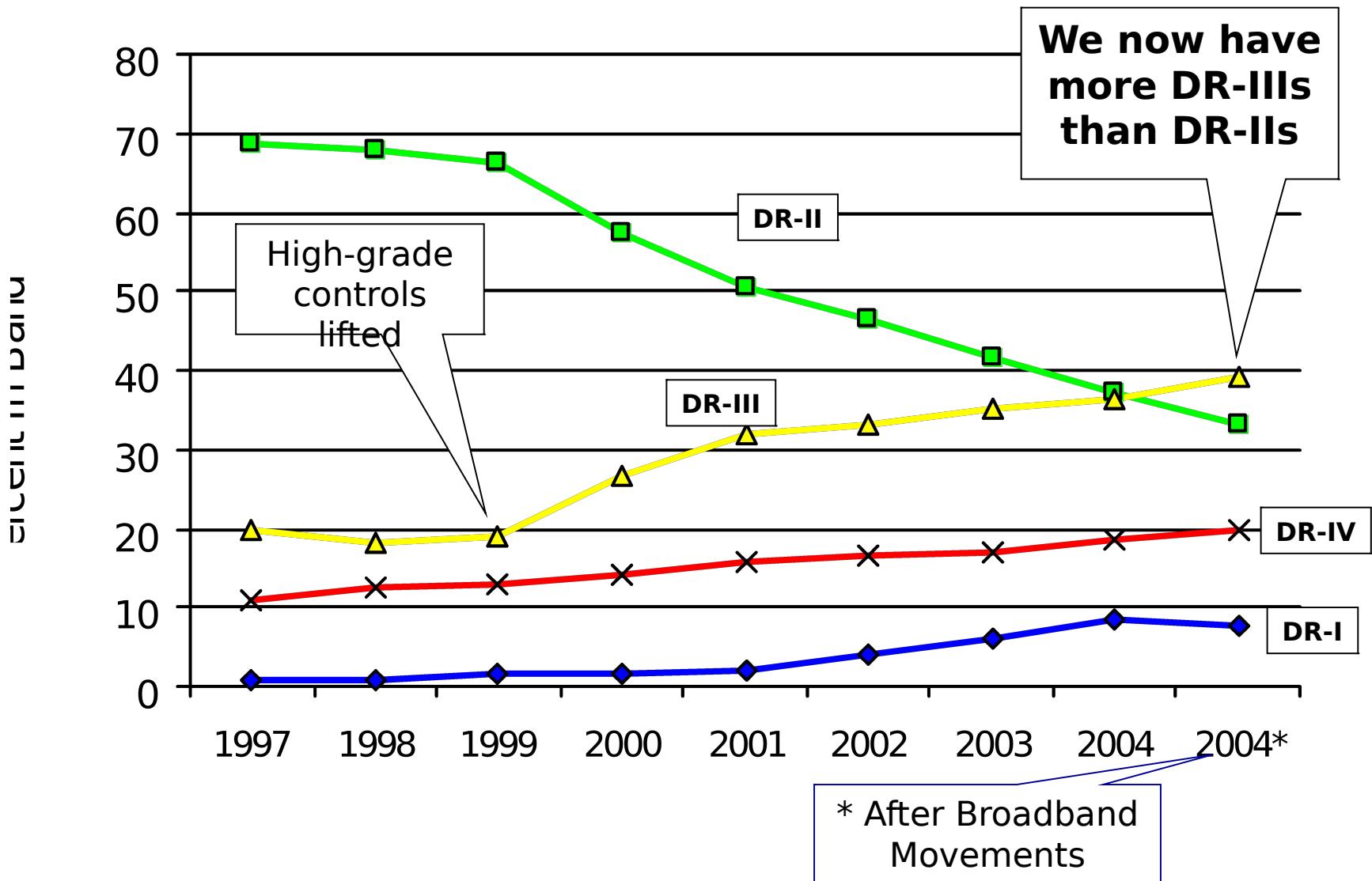


Percentage Approved for Upward Movement





Broadband Distribution After 2004 Band Movements





Broadband Movement Results

2004 High-Grade Percent

(After Broadband Movements)



Pay Pool	N	Band I		Band II		Band III		Band IV		"High-Grades"	
		#	%	#	%	#	%	#	%	#	%
AF	39	0	0.0%	0	0.0%	13	33.3%	26	66.7%	39	100.0%
HQ	74	0	0.0%	8	10.8%	45	60.8%	21	28.4%	66	89.2%
VS	138	1	0.7%	39	28.3%	48	34.8%	50	36.2%	98	71.0%
DE	172	0	0.0%	53	30.8%	76	44.2%	43	25.0%	119	69.2%
SN	387	26	6.7%	118	30.5%	163	42.1%	80	20.7%	243	62.8%
MN	203	23	11.3%	54	26.6%	93	45.8%	33	16.3%	126	62.1%
ML	328	15	4.6%	130	39.6%	114	34.8%	69	21.0%	183	55.8%
PR	300	13	4.3%	122	40.7%	115	38.3%	50	16.7%	165	55.0%
VA	211	17	8.1%	78	37.0%	89	42.2%	27	12.8%	116	55.0%
HE	218	31	14.2%	72	33.0%	71	32.6%	44	20.2%	115	52.8%
IF	350	56	16.0%	131	37.4%	123	35.1%	40	11.4%	163	46.6%
Totals	2420	182	7.5%	805	33.3%	950	39.3%	483	20.0%	1433	59.2%

Sort
High

Low



Band III and IV combined

13



1997 - 2004 Upward Broadband Movement Summary



1997 - 2004	
No. of Upward Movements	No. of Employees
1	1259
2	120*
Overall	1379

* 2 Employees progressed from Band I to Band III, 116 Employees progressed from Band II to Band IV, and 2 employees advanced in band, left the demo, rejoined at a lower band, and advanced again.

1997 - 2004	No. of Upwards Movements	
Band I to Band II	83	
Band II to Band III	1045	
Band III to Band IV	371	
Total Upward Movements	1499	
Number Moving Twice	-120	
Number of S&Es Who Have Moved Up	1379	

**Equates to
38.3% of all
employees
who have ever
been in the
demo**



Our unprecedented latitude to advance employees is being used and supervisors are actively managing their workforce.

We are incentivizing the retention of top performers and providing needed feedback to those who are not.



Summary & Conclusions



- CCS is clearly accomplishing its goals
 - Overall contribution is up and most S&Es are now compensated appropriately for their contribution to the lab's mission
- The system is mature and stable, although not quite yet in steady-state
 - There is still migration to Zone C
- Main concerns from last year:
 - High percentage of high-grades: **Band movement rates in 2004 were the lowest since high-grade ceilings were removed**
 - Low alphas in some paypools: **All paypools with alpha below 0.6 last year increased their alphas this year (7 of the 11 are now above 0.6)**
- Success is not automatic
 - Management understanding, support for, and attention to CCS is vital for continued success